

Q & A for Current Status of Amenity Transaction as of September 5, 2018

Prepared by Poinciana Community Development District and
Poinciana West Community Development District (the “Districts”)

This document supersedes the prior *Q & A for Current Status of Amenity Transaction* documents dated March 8, 2017 and November 15, 2017, which no longer reflect the current status. This document is intended to answer commonly asked questions about the current status and framework of the proposed acquisition and renovation of the existing Solivita Recreation Amenities and construction of a new Performing Arts Center and new Wellness Center (“New Amenities”) by the Districts. The Districts encourage residents to review this document to obtain accurate information. Any document referenced below is a public record capable of inspection by any member of the public.

For purposes of this document, the following definitions apply:

“*Club Membership Fee*” means the monthly fee currently paid to Avatar by owners of property within Solivita by virtue of the Club.

“*Club Operations Fee*” means the monthly fee currently paid to Avatar by owners of property within Solivita for operation and maintenance (O&M) of the Solivita Recreation Amenities by virtue of the Club Plan.

“*Club Fees*” means the combination of Club Membership Fees and Club Operations Fees.

“*Club Plan*” means that Amended and Restated Club Plan binding on all residential property in Solivita.

“*CDD Debt Assessment*” means the non ad-valorem special assessment proposed to be levied by the Districts on each developed and undeveloped residential lot within Solivita 1) to acquire the Solivita Recreation Amenities, 2) to construct the New Amenities, and/or 3) to reconstruct and renovate certain of the Solivita Recreation Amenities. The CDD Debt Assessment will replace the Club Membership Fee.

“*CDD O&M Assessment*” means the non ad-valorem special assessment proposed to be levied by the Districts each year on each developed and undeveloped residential lot within Solivita to fund the operation, maintenance, repair and replacement of the existing Solivita Recreation Amenities and the New Amenities. The CDD O&M Assessment will replace the Club Operations Fee.

Current Solivita Club Plan Facts

Question *Does the current Club Plan require Avatar to pay Club Membership Fees on its undeveloped lots?*

Answer No.

Question *Does the current Club Plan require Avatar to pay Club Operation Fees on its undeveloped lots?*

Answer No.

Question *Does the current Club Plan provide for a periodic increase of Club Membership Fees?*

Answer Yes. Monthly Club Membership fees are permitted to be increased \$1 plus tax each month, for a total of \$12 plus tax per year, per home. (As more fully set forth below, and pursuant to the Asset Purchase and Sale Agreement, the amount of the annual CDD Debt Assessment will be capped at an amount lower than existing Club Membership Fees rather than increasing on an annual basis like the Club Membership Fee.)

Question *Under the current Club Plan, how long must a resident pay Club Membership Fees?*

Answer In perpetuity.

Question *Does the current Club Plan restrict use of the Solivita Recreation Amenities to only residents of Solivita?*

Answer No.

Question *Does the current Club Plan restrict the number of Club memberships Avatar can issue to future residents of Avatar's undeveloped land outside of Solivita?*

Answer No.

Question *Does the current Club Plan restrict use of the Solivita Recreation Amenities to persons over 55 years of age?*

Answer No.

Question *Does the current Club Plan budget set aside monies for a capital reserve?*

Answer Historically, no. However, the proposed 2018 Club Plan does include an amount for reserves for the first time, but at a number lower than what the Districts have included in draft budgets.

Question *In the event that Avatar mortgaged the Solivita Recreation Amenities and failed to pay the mortgage on the Solivita Recreation Amenities, would such amenities be subject to foreclosure and sale?*

Answer Yes.

Question *Do the residents, the HOA or the Districts currently have any control over the Solivita Recreation Amenities?*

Answer No. The Solivita Recreation Amenities are completely controlled by Avatar.

Question *Why did the Districts enter into negotiations to purchase the Solivita Recreation Amenities?*

Answer The Boards of Supervisors of the Districts (collectively, the “Boards”) believe that it is in the best interests of the residents that the Districts own and control the Solivita Recreation Amenities in perpetuity to preserve the lifestyle in Solivita and protect home values. Development within Solivita will be completed at some point in the future and Avatar may not own the Solivita Recreation Amenities after that point in time. District ownership is preferred compared to a third party purchasing and controlling the Solivita Recreation Amenities in perpetuity. The Boards also desire to capitalize on the opportunity to prevent the annual increase in Club Membership Fees that residents pay by replacing the Club Membership Fees with fixed CDD Debt Assessments, as well as on the opportunity to have such fees terminate after 30 years which, in the long term, will save the residents money. Finally, the Boards believe this is the best opportunity to obtain New Amenities for Solivita.

Asset and Purchase Sale Agreement

Question ***Have the Districts signed a contract to purchase the amenities?***

Answer Yes, an Asset Purchase and Sale Agreement (“PSA”) was signed and became effective on December 5, 2016.

Question ***What Solivita Recreation Amenities are included in the PSA?***

Answer Riviera Spa and Fitness Center / Indoor Pool & Track; Waterfront Galleries/Café; Mosaics Building and Starlite Ballroom; Bell Tower; Freedom Park; Palms Amenity Complex; Rainbow Lakes #1 Community Pool & Cabana; Rainbow Lakes #2 Community Pool & Cabana; Candlewood Community Pool & Cabana; Capri Community Pool & Cabana; Terra Vista #1 Community Pool & Cabana; Terra Vista #2 Community Pool & Cabana; Flora Vista #1 Community Pool & Cabana; Flora Vista #2 Community Pool & Cabana; Lago Vista Community Pool & Cabana; Venezia Facility / Two (2) Tennis Courts, Community Pool & Cabana; Bella Viana Pool & Cabana; vacant land for new Performing Arts Center; vacant land for new Wellness Center.

Question ***What is the purchase price in the PSA, as amended?***

Answer The purchase price has been reduced from \$73.7 million to \$72.9 million.

Question ***Are there any adjustments to, or reductions from, the purchase price that are anticipated?***

Answer Yes. It is anticipated there would be a reduction of the purchase price due to any increase in bond interest rates. This reduction may be several million dollars, depending on interest rates at the time the bonds are offered for sale. In addition, the District is currently in the inspection period under the PSA. To the extent items of concern are discovered during the inspection period, additional adjustments to the purchase price may occur.

Question ***What other significant amounts are allocated to be paid or provided by either the District or Avatar under the PSA, or are otherwise being undertaken by Avatar?***

Answer Avatar is responsible for paying all closing costs on the transaction contemplated by the PSA. This amount is estimated at a minimum of \$600,000, and reduces Avatar’s net recovery from this transaction.

This transaction may also result in capital gains or other taxes for Avatar, which will further reduce Avatar's net recovery from the sale of the Solivita Recreational Amenities.

The Solivita Recreational Amenities are currently privately owned. As a result they were assessed Series 2012 Bond Debt Assessments by the Poinciana CDD and Series 2017 Bond Debt Assessments by the Poinciana West CDD. Under the PSA, Avatar is obligated to pay off the existing Series 2012 Bond Debt Assessments and the existing Series 2017 Bond Debt Assessments on the Solivita Recreation Amenities at closing. This amount is over \$400,000, and reduces Avatar's net recovery from this transaction.

Avatar is obligated to pay both CDD Debt Assessments and CDD O&M Assessments on the platted and unplatted lots it owns starting from the date of closing on the Solivita Recreational Amenities. For illustration purposes only, assume the transaction closed on October 1, 2017, the beginning of Fiscal Year 2017-2018. Based on 1,400 unsold lots, CDD Debt Assessments paid by Avatar would be projected at \$1,682,480 and CDD O&M Assessments would be projected at \$1,655,640. For as long as Avatar owns such lots, Avatar will be responsible to pay CDD Debt Assessments and CDD O&M Assessments. Assuming a sales pace of 200 homes per year, at buildout Avatar will have paid approximately \$6,730,000 in CDD Debt Assessments and \$6,622,000 in CDD O&M Assessments. In this illustration, the cost to Avatar of paying CDD Debt Assessments and CDD O&M Assessments in the approximate amount of \$13,352,000 reduces Avatar's net recovery from this transaction.

Avatar is obligated to pay its CDD O&M Assessments early and on October 1 of each year thereby giving the District funds to operate at the very beginning of each year while the District waits for the tax receipts to be received from the Tax Collector relative to the CDD O&M Assessments levied on property owned by residents.

Avatar is obligated to pay its CDD Debt Assessments early to the extent necessary to ensure the District pays its debt service payments on time in the year of closing.

Avatar is responsible for paying whatever amounts are necessary to bring the Solivita Amenity Facilities in compliance with the Americans with Disabilities Act ("ADA"). This will likely be a substantial cost, and work is ongoing. The cost to

Avatar of providing these renovations reduces Avatar's net recovery from this transaction.

Avatar is obligated to convey all personal property and inventory within the Solivita Recreation Amenities to the District.

Avatar is required to sell the Sales Center and Administration Building to the Districts at a later date for a purchase price of zero dollars.

Avatar has committed to repair the items in disrepair that are identified in the commercial inspection report commissioned by the Districts. The cost to Avatar of providing these repairs reduces Avatar's net recovery from this transaction.

Avatar has agreed to provide a letter of credit or other security to the District equal to eighteen (18) months of operations and maintenance expenses for the District to access in the event that Avatar fails to pay its CDD O&M Assessments. Based on 1,400 unsold lots, this equates to approximately \$2.5 million of additional protection for the Districts. The cost to Avatar of providing this security reduces Avatar's net recovery from this transaction.

The Districts believe that Avatar's involvement in the construction process will help ensure consistency of the new buildings with the existing buildings. In addition, Avatar's familiarity with the project and lessons learned from experience in the community for the last 18 years will assist the Districts to provide the best new amenities possible. The Districts have agreed to lease one or more employees from Avatar to assist with the construction of the New Amenities and reconstruction/remodeling of existing Solivita Recreation Amenities. The cost of this will not exceed \$50,000. This personnel leasing arrangement replaces the construction management concept which required a fee estimated at \$550,000. The net result of this contract change is an additional \$500,000 for the District to use towards the construction of the New Amenities and the reconstruction/remodeling of existing Solivita Recreation Amenities.

The Districts have agreed to provide 1,000 annual household passes to Avatar to be used for future homeowners of Avatar's undeveloped lands located north of Cypress Parkway. Each pass lasts only one year and entitles the holder to two cards. At least ninety percent (90%) of these annual household passes must be issued to a household with a member fifty-five (55) years or older. All annual passes expire five years after the first annual household pass is activated. Unissued annual passes remaining after five years cannot be used. The value of these passes is far outweighed by Avatar's commitment to pay CDD O&M

Assessments on the land it owns, which is the basis for the Districts' negotiated position on this issue.

Question ***Does the PSA contemplate the construction of the New Amenities or the reconstruction/renovation of existing Solivita Recreation Amenities?***

Answer Yes. The PSA contemplates that approximately \$11.2 million will be available from the issuance of bonds to construct the New Amenities and reconstruct/renovate existing Solivita Recreation Amenities. The Boards have yet to determine the exact scope of the new and/or renovated facilities, but have generally discussed the construction of a new Performing Arts Center and Wellness Center, along with the reconstruction/remodeling of existing Solivita Recreation Amenities such as the Ballroom, Mosaics Restaurant and the Waterfront Café.

Question **How soon do the Districts anticipate constructing the New Amenities and/or reconstructing/renovating the existing Solivita Recreation Amenities?**

Answer Upon determining the scope of the New Amenities to be constructed and existing Solivita Recreation Amenities to be reconstructed/renovated and resolution of current litigation, the Districts intend to commence the construction and reconstruction/renovation as soon as practical after closing on the bonds, and plan to complete the construction of the New Amenities and the reconstruction/renovation of the existing Solivita Recreation Facilities within three (3) years of the issuance of the bonds.

Future Operation and Funding of the Solivita Recreation Amenities

Question ***If the Districts purchase the Solivita Recreation Amenities, will Avatar or the District continue to collect Club Membership Fees and Club Operation Fees?***

Answer The PSA requires the Club Plan to be terminated and no further new Club Membership Fees or new Club Operation Fees will be invoiced after closing. Instead of paying Club Membership Fees to Avatar, residents will pay CDD Debt Assessments to the Districts. Instead of paying Club Operation Fees to Avatar, residents will pay CDD O&M Assessments to the Districts.

Question ***How will I pay the CDD Debt Assessments and CDD O&M Assessments after closing?***

Answer It is impossible to know a closing date with any certainty, but please consider this example. If a closing occurs in December of 2018, on January 1, 2019, residents will receive a bill from the Districts for the monthly prorated amount of the CDD Debt Assessments and CDD O&M Assessments outstanding through the end of the Districts' fiscal year, or through September 30, 2019. This amount will be similar to their monthly Club Membership Fee and Club Operation Fee and will replace such fees. Residents will continue to be billed monthly for the CDD Debt Assessments and CDD O&M Assessments through September, 2019.

On November 1, 2019, the CDD Debt Assessments and CDD O&M Assessments for the entire fiscal year of the Districts (i.e. October 1 through September 30), will be included on the resident's tax bill distributed by the Polk County Tax Collector. The resident will pay the CDD Debt Assessments and CDD O&M Assessments at the same time and in the same manner as his/her county property tax bill.

Once the CDD Debt Assessments and CDD O&M Assessments are on the county tax bill, residents will no longer receive monthly bills from the Districts. Accordingly, residents will need to budget for payment of CDD Debt Assessments and CDD O&M Assessments similar to how they budget for the payment of their property taxes. To that end, residents are encouraged to contact their mortgage lenders at the appropriate time to determine what the lender will require in terms of an escrow payment and the timing of such payment so that they can properly budget for this change in the collection mechanism.

In the event that a resident intends to sell a home after the closing on the amenities, the resident is encouraged to speak with their realtor and/or financial

advisor prior to executing a home sale contract to ensure the resident understands how responsibility for payment of the CDD Debt Assessments and CDD O&M Assessments is allocated between buyer and seller in the proposed contract.

Question ***What is the amount of the projected CDD Debt Assessment that will replace the Club Membership Fees?***

Answer The District’s current debt assessment methodology treats all residential units the same and each is allocated the same maximum principal debt assessment. The maximum, net annual assessment payment is \$946.91 a year, which breaks down to approximately \$78.91 on a monthly basis. This is the amount of the CDD Debt Assessment for the time period when it is directly collected by the District.

Once the CDD Debt Assessment begins to be collected on the County tax bill, the District must pay the County Tax Collector and Property Appraiser 3% of the assessment levy and the District must also allow for the 4% discount for early payment of taxes required by Florida law. Consequently, the maximum annual CDD Debt Assessment appearing on the County tax bill is projected to be \$1,018.18. If a resident pays their County tax bill in November, December, January or February, they will pay less than \$1,018.18. The earlier you pay, the less you pay.

When the amenity transaction began, the highest Club Membership Fee was \$85 plus sales tax, per month. In 2018, it is \$87 plus sales tax, per month. The Club Membership Fee imposed by the Club owner is anticipated to increase annually unless the Districts acquire the amenities.

Question **What happened to the assessment equalization payment concept that was included in the last assessment methodology?**

Answer In the first validation case, the circuit court expressed a concern about the Districts implementing the assessment equalization payment concept into the assessment methodology. The Districts have removed that concept from the assessment methodology and the PSA.

Question **What about the developer’s representation that it did not want the transaction to result in any residential lot paying more for CDD amenity assessments than they were paying for Club Fees?**

Answer Avatar Properties, Inc. has announced to the Board and provided written notification to the affected residents that Avatar is recording a document which commits Avatar to pay down the amenity debt assessment principal of lots with lower Club Membership Fees. Avatar has stated this payment is required to be paid before or simultaneously with the closing on the amenity transaction. Avatar is handling this issue privately with the affected residents and outside of the District’s assessment levy proceedings. Questions regarding the specific amount to be paid down on a specific lot should be directed to Avatar.

Question Will the projected CDD Debt Assessments increase on an annual basis like the current Club Membership Fees?

Answer No. This is a savings to the current and future residents because the annual CDD Debt Assessment will be a fixed amount.

Question Will the CDD Debt Assessment be payable in perpetuity like the Club Membership Fees?

Answer No. The CDD Debt Assessment will secure bonds which mature in 30 years. When those bonds mature, the CDD Debt Assessments securing those bonds will cease to be collected. This is an additional significant savings for the future owners of property in Solivita.

Question What is the amount of the projected CDD O&M Assessment that will replace the Club Operations Fees?

Answer Based on the last proposed budget, the CDD O&M Assessment is estimated at \$98.55 per month, or \$1,182.60 per year for each residential lot. This proposed CDD O&M Budget is on file with the District. See Chart below. Please note that the proposed CDD O&M Budget has not been adjusted to reflect the fact that the District is not subject to state sales tax. Once the Districts have accumulated historical data on the actual amount of sales tax savings, reductions in future CDD O&M Budgets are anticipated to account for such savings.

Annual Breakdown

<u>Proposed 2018 Club Operations Fee*</u>	<u>Proposed CDD O&M Assessment*</u>	<u>Decrease</u>
\$1,182.96	\$1182.60	\$0.36

Monthly Breakdown

<u>Proposed 2018 Club Operations Fee*</u>	<u>Proposed CDD O&M Assessment*</u>	<u>Decrease</u>
\$98.58	\$98.55	\$0.03

* The Proposed 2018 Club Operations Fee includes 7% sales tax. The proposed CDD O&M Assessment includes 3% County collection costs and assumes full payment in November of each year. If a resident does not pay their County tax bill in November and thus take advantage of the 4% early payment discount, the amount to be paid will be higher in accordance with Florida law.

Question ***What is the net monthly and annual financial impact on residents of the CDD Debt Assessment and CDD O&M Assessment replacing the Club Membership Fees and the Club Operations Fees, respectively?***

Answer Based on current estimates of CDD Assessments, projected 2018 Club Fees, and Avatar’s private commitment to pay down assessment levels, there will be a reduction.

Question ***Is there a draft CDD O&M Budget that residents can review?***

Answer Yes. There is a draft CDD O&M Budget for Fiscal Year 2017-2018 located on the Districts’ websites at www.poincianacdd.org and www.poincianawestcdd.org.

Question ***Are the CDD O&M Budgets set in stone yet?***

Answer No. The Districts have not yet adopted the operations and maintenance budget, but District staff does not expect it to increase, and it may in fact decrease slightly.

Question ***Do the CDD O&M Budgets assume the sales tax savings the Districts will enjoy?***

Answer No. The impact of the sales tax savings is presently unknown and therefore has not been budgeted. These are conservative budgets and the sales tax savings will either be used to reduce CDD O&M Assessments and/or will be put into a reserve fund.

Question ***What major items are included in the draft CDD O&M Budget for the protection of the residents that were not included in previous Club budgets?***

Answer The District is establishing a capital reserve fund to plan for major repairs and replacements at levels recommended by the District’s valuation consultant. (The 2018 Proposed Club Budget for the first time includes reserve funding, but at an amount less than the Districts have budgeted.) The District is establishing an operating reserve fund to make sure the District has sufficient funds to meet its payment obligations. The District is budgeting to replace numerous older maintenance vehicles in the first two years of its ownership of the Solivita Recreational Amenities. These additions to the CDD budget protect the

residents. Even with these protections included in the CDD budget, there is a projected savings to the residents through the CDD structure compared to what residents are expected to pay in 2018 Club Membership Fees and Club Operations Fees.

Question *Do lots and unplatted lands owned by Avatar currently pay Club Membership Fees and Club Operations Fees?*

Answer No.

Question *If the Districts purchase the amenities, will the lots and unplatted lands owned by Avatar pay CDD Debt Assessments and CDD O&M Assessments?*

Answer Yes, that is required by the PSA.

Question *How much is an undeveloped lot owned by Avatar required to pay under the PSA?*

Answer For CDD Debt Assessments, the amount paid by an undeveloped lot will be equal to the highest CDD Debt Assessment to be paid by a current resident. For CDD O&M Assessments, the amount paid by an undeveloped lot will be equal to the CDD O&M Assessment to be paid by a current resident.

Question *Will the Districts close on the PSA if the amount to be paid by residents in CDD assessments is projected to be materially higher than what residents currently pay in Club Fees for the same facilities?*

Answer No. The Districts will not sell the bonds if the total amount in annual CDD Debt Assessments and CDD O&M Assessments is projected to be materially in excess of what residents currently pay to Avatar for Club Membership Fees and Club Operations Fees.

Question *Under the current Club Plan, if the Amenities are damaged by a catastrophic event not covered by insurance, can the Club Owner assess the cost of repairing the damage against the residents? Would there be any difference if the Districts own the Amenities?*

Answer Both the Club Owner and the Districts could assess the residents the costs of such repair. The Club Plan does provide that the Club Owner cannot assess the cost to repair the building shells but can assess the costs of roof repair and replacement. However, the Club Owner currently insures the building shells and

the Districts plan to insure the building shells after acquisition. Therefore, there is really not much of a difference to the residents for this particular issue.

Inspection of Solivita Recreation Amenities

Question ***What efforts have the Districts made to inspect the Solivita Recreation Amenities?***

Answer The Districts are conducting extensive inspections of the Solivita Recreation Amenities. These efforts are being overseen by the Districts' Engineer and are ongoing. These efforts include i) financial feasibility and valuation analyses prepared by Environmental Financial Group, ii) commercial property inspection by Delta Engineering, with a follow up inspection to be completed before closing, iii) two different ADA inspections and reports, iv) Phase 1 environmental inspection, v) mold inspection, vi) termite inspection, vii) food and beverage operations analysis, and others to be determined. In addition, matters related to title and other real property matters are under extensive review.

Question ***Have the Districts agreed to purchase facilities that are not compliant with the ADA?***

Answer No. The PSA requires Avatar to deliver the facilities in a condition that fully complies with the ADA.

Sales Center and Administration Building

Question ***What is the future of the Sales Center and Administration Building?***

Answer The PSA, and a separate Option Agreement that has been approved by the Districts and Avatar and which will be executed at or prior to closing on the Solivita Recreation Amenities, require Avatar to deed the Sales Center and Administration Building to the Districts in the future for a set purchase price of zero dollars.

Current Litigation Status

Question **What is the status of the Districts’ efforts to validate the bonds necessary to close on the PSA?**

Answer The Districts attempted to validate bonds this summer. The Circuit Court declined to validate the special assessments securing the bonds as proposed by the Districts. The final judgment only took issue with one of the five questions in the bond validation case, specifically the apportionment of the assessments. While the Districts continue to believe the initial methodology was efficient and proper, the Districts recently voted not to appeal the final judgment in the bond validation case. Instead, the Districts have adopted a new, simpler assessment methodology to address the concerns noted by the trial court. The trial court’s stated concern with the assessment methodology is easily remedied through such a revision.

Subsequently, the parties contesting the validation made statements that they prevailed in the bond validation case yet appealed the final judgment to the Florida Supreme Court. The Florida Supreme Court then dismissed the appeals.

The Districts have filed a second bond validation case based on a new, simpler assessment methodology. That case is currently pending and the Districts are diligently working to bring that case to a conclusion. After the bonds are successfully validated, the Districts will have the legal authority to issue the bonds.

Question **Are the Districts involved in the class action that has been filed by Brenda Taylor, Bill Mann and Norm Gundel against Avatar?**

Answer The Districts are not a party to the class action.

Question **What impact does the class action have on the Districts’ ability to build the New Amenities, and purchase the Solivita Recreation Amenities?**

Answer The Districts have been informed by the underwriter that the Districts cannot market the bonds while claims regarding the validity of the Club Plan remain pending in the class action. Therefore, the class action will significantly delay or prevent the construction of the New Amenities and the renovation of the existing Solivita Recreation Amenities.

Summary of Significant Benefits of District Ownership versus Avatar or Third Party Ownership

<u>District Ownership</u>	<u>Avatar/Third Party Club Ownership</u>
New Performing Arts Center <u>without</u> increasing capital amounts paid	No new Performing Arts Center
New Wellness Center <u>without</u> Increasing capital amounts paid	No new Wellness Center
Amenities Resident owned through CDD Structure	No resident ownership
Programming controlled by resident Board	Programming Controlled by for-profit corporation in accordance with the Club Plan
Lifestyle controlled by resident Board	Lifestyle controlled by for-profit corporation in accordance with the Club Plan
Policies, Rules and Rates established by resident Board	Policies, rules and rates controlled by for-profit corporation in accordance with the Club Plan
Non-resident use controlled by User Rates adopted by resident Board	Non-resident use controlled by for-profit corporation in accordance with the Club Plan
Sovereign immunity limits on liability	No limits on liability, and liabilities not covered by insurance the responsibility of residents under the Club Plan
CDD Debt Assessments capped for 30 years	Club Membership Fees increase every year in accordance with the Club Plan
CDD Debt Assessments terminate after 30 years	Club Membership Fees collected in perpetuity
Resident Board approves CDD O&M Assessment rates	No resident control over annual Club Operations Fees
Amenity Manager selected and accountable to resident Board	No resident control over selection or performance of amenity manager
Ability to access public bond market in the future	Facility expansion controlled by for-profit corporation in accordance with the Club Plan
Avatar pays a portion of the CDD Debt Assessments	Club Owner collects Club Membership Fees as profit; Club Owner not required to pay Club Membership Fees

Avatar pays a portion of the CDD O&M Assessments

Club Owner not required to pay Club Operations Fees

New Avatar development located north of Cypress Parkway will have amenity passes limited in number and duration

Use of Solivita amenities by homeowners in Avatar's new development located north of Cypress Parkway is unlimited and controlled by free market principles

Amenities not subject to foreclosure

Amenities subject to foreclosure if mortgaged and failure to pay by Avatar

Sales Center and Administration Building eventually owned and controlled by resident Board

Residents have no control over future ownership and use of Sales Center and Administration Building

Sales tax savings (relative to both (i) 7% sales tax paid on fees remitted to Avatar pursuant to Club Plan and (ii) 7% sales tax paid on purchases of supplies, materials, etc. by the Club)

No sales tax savings

NOTE: THIS Q&A FOR CURRENT STATUS OF AMENITY TRANSACTION HAS NOT BEEN PREPARED OR APPROVED BY AVATAR PROPERTIES, INC.