



February 15, 2017

**VIA OVERNIGHT DELIVERY &
ELECTRONIC MAIL**

Michelle R. Drab, Esquire
Bush Ross, P.A.
1801 North Highland Ave
Tampa, Florida 33602

**Re: Motion to Dismiss Complaint Seeking Validation of Poinciana Community
Development District Special Assessment Bonds in an Aggregate Principal
Amount Not to Exceed \$102,000,000.00**

Dear Ms. Drab:

I am General Counsel for AV Homes, Inc., the parent company of Avatar Properties Inc., ("AV Homes" or the "Company") and it is my understanding that your firm presently represents Brenda Taylor and William Mann, defendants, with respect to that certain Motion to Dismiss (the "MTD"), filed on February 10, 2017, seeking to dismiss that certain Complaint Seeking Validation of Poinciana Community Development District Special Assessment Bonds in an aggregate principal amount not to exceed \$102 million (the "Validation Complaint"), which was filed by the Poinciana Community Development District ("PCDD") and the Poinciana West Community Development District ("PWCDD") in connection with the sale by AV of certain amenity and recreational facilities (the "Facilities") to the PCDD (such sale being hereinafter referred to as the "Transaction").

Although AV Homes strongly disagrees with several of the statements and arguments set forth in your MTD, this letter is not intended to address those matters, but rather seeks to advise you and your client that the MTD and any further actions taken in opposition of the Validation Complaint will not cause us to reconsider or re-negotiate the Transaction and instead may result in the failure, frustration and termination of the Transaction. By way of background, since late 2015, AV Homes has spent countless hours, time and expense working with the PCDD, PWCDD, and their respective consultants, advisors, employees, agents and attorneys to reach agreement on terms and conditions acceptable to all parties involved. From the outset, we have always endeavored to achieve an outcome which allows the residents to pay an amount equal to or less than their current Club related dues (including Club Membership Fees and Club O&M (Expense) Fees), while providing for resident control of the Facilities and the ability to construct additional amenities, which the vast majority of residents appear to favor.

Part of the efforts relating to the Transaction included the PCDD engaging Environmental Finance Group (“EFG”) after an independently conducted RFP process to prepare a comprehensive valuation report. The result of that process was the agreement of the parties for AV Homes to sell and for PCDD to purchase the Facilities at a net purchase price of \$69.8 million, after the equalization of assessments. What is not readily apparent when a third party reviews the negotiated purchase price for the Facilities is the additional concessions and consideration that AV Homes had made to consummate the Transaction. Among other things, AV has agreed to pay operations and maintenance assessments on undeveloped lots in order to provide additional cash flow to fund working capital and repair and replacement reserves. This, combined with the debt service burden that AV Homes will assume as a result of the Transaction, is anticipated to be in excess of \$10 million. Furthermore, with the extensive delay in the Transaction, we have advised the PCDD that we are willing to bare a limited amount interest rate exposure resulting from rising interest rates in the municipal bond market, which may result in a purchase price reduction.

Our Board of Directors and executive management team have a duty to our shareholders and we are no longer in a position to burden the Company with further costs and delays. While the “Save the Solivita Amenities Fund” has indicated that it does not wish to prevent the sale of the Facilities to the PCDD, we need to make perfectly clear that there is no circumstance under which AV Homes is willing to entertain or finance further valuations or discussions regarding purchase price, other than as it relates to changes in interest rates that could impact the total available project fund (assuming assessments are levied at the maximum amount set forth in the assessment methodology approved by the PCDD on February 10, 2017).

I am available at your convenience to discuss the contents of this letter, the MTD, Validation Complaint and/or any other matters you believe are germane to your clients making an informed and sound judgment with respect to the Transaction and can be reached directly at 480.214.7388.

Sincerely,



Gary Shullaw
General Counsel

cc: Joseph P. Covelli, Esquire, Gray Robinson, P.A.
Mike Eckert, Hopping Green & Sams, P.A.