




COMMUNITY DEVELOPMENT DISTRICTS

To: Village Center Community Development District
Board of Supervisors

From: Janet Y. Tutt, District Manager 

Date: July 27, 2011

The District has received the Appraisal Review with Opinion of Value report prepared by Alice Price, an engineer of the Internal Revenue Service (IRS). This Appraisal Review includes the IRS real estate appraiser's Appraisal Review of the Public Resources Management Group, Inc. (PRMG) March 2003 valuation report.

As mentioned by Ms. Price in her cover letter, the assignment of the review of the valuation was made in May of 2009. The District was made aware of the referral for assistance with the valuation on July 27, 2009. Since that time, the District provided substantial documentation to Ms. Price to assist her with the review and accompanied her throughout her visit in December of 2009. The last substantive questions from Ms. Price were answered in February 2010.

Importantly, the Appraisal Review does correct the essential error that was made by the initial IRS agent handling the audit, by not excluding the value of the amenities fees from the value of the assets purchased with the proceeds of the bonds. However, I believe the value arrived at in the Appraisal Review is substantially less than the actual value of the purchased assets. Although I have not yet completed an in depth analysis of the Appraisal Review, there are some potentially serious errors or points of concern that I would request you keep in mind while reading the report.

First, although my experience in local government is limited to Florida, I have been in the public sector for over 30 years and have been involved directly or indirectly with a number of public purchases and tax exempt bond issues to accomplish the acquisitions. During this time it has been my experience that while bond issues may vary in length, municipal bonds issued for infrastructure and other governmental operations such as water and sewer systems (which is the model the District used) have used a 30-year income stream when determining value based upon the capitalization of revenue method. I believe that Ms. Price's use of a 15-year period is based on the assumption that is the typical holding period for a business or property, which is not an assumption that is applicable to this purchase by the District.

However, based on Ms. Price's statements, I did contact Mr. Ori, Public Resources Management Group, Inc. (PRMG), regarding the suggestion that a 15 year holding period would be the appropriate for the financing of the acquisition of the recreation facilities including the amenity fees. Mr. Ori stated that the 30-year holding period was appropriate because the time frame for such period was equal to or less than the useful life of the capital facilities acquired and the revenue stream being generated supported the acquisition. The useful life of the acquired assets of at least 30 years was certified by the District's Consulting Engineers as being reasonable and was relied upon in the valuation analysis. Additionally, both Mr. Ori and I recognize that the 30-year holding period has been a typical holding period for state and local governments. Finally, the repayment term used in the financing of the purchase, by the issuance of bonds, was consistent with the asset service life considerations. It should be noted that the amenities fees do not have a termination period and accordingly could be considered to be in perpetuity relative to the income stream to be received by the District from the properties associated with the facilities and revenue rights purchase.

The second item of concern is the Amenity Fee Cash Flow Analysis prepared by Ms. Price. It is not possible at this time to determine how Ms. Price arrived at the figures used in her calculations. Initial review of the figures indicates that some of the analysis and assumptions are not accurate which lead her to assert an incorrect value of the net amenity fee cash flow after taking into account the expenses allocable to the amenity fees purchased. Staff will be reviewing this area closely and believe that clarifications can help Ms. Price understand the errors we believe significantly and erroneously impacted her analysis.

Finally, it is difficult to follow the logic and rationale associated with the "rates of return applied" and "Summary of Discounted Cash Flow Assumptions" provided in the report since they are not terms used in the public sector. It appears an arbitrary decision was made to change the capitalization rate assumption used to determine the present value of the cash flow.

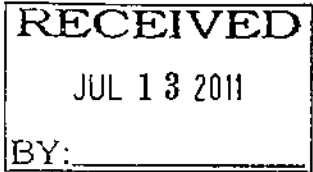
While I appreciate the fact that valuations can, and usually do, differ, just as two individuals can have two different opinions, it is important to assure that the facts are correct and all relevant information is reviewed and incorporated in the analysis. In 2009, as part of the initial response to Ms. Price's document request, the District provided two valuations that were conducted prior to the recreation amenities sale: the PRMG valuation and the Fishkind and Associates, Inc. (Fishkind) valuation. However, for some reason, Ms. Price only addressed PRMG's report and chose to not mention or refer in any manner to the Fishkind report which closely mirrored the PRMG report. Both PRMG and Fishkind are respected and experienced professionals in their field in the State of Florida and have performed valuations for dozens of municipalities.

Once you have reviewed the valuation, should you have any questions please let me know. In the meantime, as I indicated, staff will be reviewing the valuation, addressing the issues with the District's attorneys, and preparing questions and comments for the IRS regarding Ms. Price's Appraisal Review.



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224



Janet Tutt, District Manager
Village Center
Community Development District
3201 Wedgewood Lane
The Villages, FL 32162

Person to Contact:
Debbie Arceneaux.
Badge No.:
0595152
Contact Address:
Internal Revenue Service
2600 CitiPlace Ct. Suite 375
Baton Rouge, LA 70808
Telephone Number
225-923-4152
Date: July 7, 2011

RE: **\$57,250,000 Village Center Community Development District
Recreational Revenue Bonds, Series 2003A, and
\$7,005,000 Village Center Community Development District
Recreational Revenue Bonds, Series 2003B**

Dear Ms. Tutt:

Enclosed is a copy of the Engineer's Report. A copy of the report has also been sent to Mr. Perry Israel, Power of Attorney.

Sincerely,

Debbie Arceneaux
Revenue Agent, Tax Exempt Bonds

Enclosure(s):
Engineer's Report

**APPRAISAL REVIEW
WITH
OPINION OF VALUE
OF THE
VILLAGE CENTER COMMUNITY DEVELOPMENT DISTRICT
MARCH 2003
REAL ESTATE ASSETS
AND
RESIDENT AMENITY FEES ACQUISITION
VILLAGE COMMUNITY DEVELOPMENT DISTRICT
THE VILLAGES, FLORIDA**

**DATE OF REVIEW
June 24, 2011**

**DATE OF VALUATION:
March 26, 2003**

**PREPARED BY;
ALICE F. PRICE, MAI
Internal Revenue Service
LB&I - FSp Terr 3 ENG Ft Lauderdale
7850 SW 6 Court, Room 345
Plantation, Florida 33324-3202**



LARGE BUSINESS AND
INTERNATIONAL DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

June 24, 2011

Ms. Deborah H. Arceneaux
Internal Revenue Agent
TEGE Group 7226
2600 Citiplace, Suite 375
Baton Rouge, LA 70808

Re: Appraisal Review of the Public Resources Management Group, Inc.
(PRMG), March 2003 valuation reports

Dear Ms. Arceneaux:

In accordance with the SRS R-VILL-2009514162405 dated May 15, 2009, I have completed the attached Appraisal Review of the above referenced Appraisal Report. The Intended Use of the Appraisal Review is internal use by the Internal Revenue Service (IRS) to determine if the Appraisal Report provides adequate support for the value of the Purchased Assets in accordance with the Agreement for Purchase and Sale dated March 26, 2003. The Appraisal Report under review was prepared by Robert J. Ori, Public Resources Management Group, Inc. (PRMG), 341 North Maitland Avenue, Suite 300, Maitland, Florida.

The purpose of the review was to develop and communicate an opinion as to the reliability of the value conclusions presented in the appraisal report under review. In addition, per the request of the IRS I developed an independent opinion of the Fair Market Value of the Purchased Assets as of the March 26, 2003 date of purchase. The date of my Appraisal Review is June 14, 2011. The appraisal under review was prepared by Robert J. Ori, Public Resources Management Group, Inc. (PRMG), 341 North Maitland Avenue, Suite 300, Maitland, Florida. The effective date of valuation is March 2003.

My analysis and report are intended to comply with the IRS Real Property Valuation Guidelines, the Uniform Standards of Professional Appraisal Practice (USPAP), and the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. In addition, my analyses, opinions, and conclusions are subject to the Assumptions & Limiting Conditions, Extraordinary Assumptions and Certification as stated in my report.



LARGE BUSINESS AND
INTERNATIONAL DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

Ms. Deborah H. Arceneaux
June 24, 20011
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Based upon my review of the Public Resources Management Group, Inc. report, I have concluded that the estimate of the value of the amenity stream of \$60,500,000 is overestimated and not credible.

It should be noted that for analytical purposes and using data contained in the appraisal report under review as well as data provided by the Village Center Community Development District, I developed an opinion of the value of the Subject Purchased Assets. Based upon my analysis as outlined within the attached Appraisal Review, it is my opinion that the market Value of the Purchased Assets, as of March 26, 2003, subject to the Assumptions & Limiting Conditions, Extraordinary Assumptions and Certification, as stated in the Appraisal Review report was as follows:

Real Estate and Personal Property	\$3,990,000
Amenity Fees Income Stream	<u>\$24,000,000</u>
Total Market Value of Purchased Assets	\$27,900,000

I submit herewith the Appraisal Review report which outlines the results of my review, explanation of methodology employed and Appraiser's Opinion of Value.

Respectfully submitted,

Alice F. Price, MAI
State Certified General Real Estate
Appraiser, State of Florida
Certification Number RZ 0000727

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EXECUTIVE SUMMARY

Client/Intended User: Internal Revenue Service (IRS)

Intended Use: The intended use of the report is for audit purposes by the Internal Revenue Service (IRS).

Review Purpose: The purpose of the review was to develop and communicate an opinion as to the reliability of the value conclusions presented in the appraisal report under review. In addition, per the request of the IRS I developed an independent opinion of the Fair Market Value of the Purchased Assets as of the March 26, 2003 date of purchase.

Subject of the Review: The appraisal report under review is the Village Center Community Development District Recreational Facilities Updated 2003 Transaction Valuation Analysis dated April 14, 2009 as prepared by Robert J. Ori, Public Resources Management Group, Inc. (PRMG), 341 North Maitland Avenue, Suite 300, Maitland, Florida. This report is an update to an original report dated March 18, 2003 which, per PRMG, "documented PRMG's assumptions, analyses and observations for consideration by the District Board of Supervisors (the "2003 Report") with respect to the estimated net present value of the transaction".

Date of Review: The Robert J. Ori, Public Resources Management Group, Inc. (PRMG) valuation analysis was reviewed June 24, 2011.

Review Conclusions: Based upon my review of the Public Resources Management Group, Inc. report, I have concluded that the estimate of the value of the amenity stream is overestimated and not credible.

Date of Reviewer's Opinion of Value: The Reviewer's opinion of value is as of March 26, 2003 as prepared June 24, 2011.

Reviewer's Highest and Best Use: The Highest and Best Use of the Subject Real Estate Assets are their continued use providing recreational amenity and security services.

EXECUTIVE SUMMARY
Continued

Identification of the
Subject Property:

The overall Subject Property is situated within the overall retirement community referred to as "The Villages". The planned residential community lies within the boundaries of Lake, Sumter and Marion Counties in Central Florida.

The Subject Property consists of the Purchased Assets as described within the Agreement for Purchase and Sale dated March 26, 2003 between The Villages of Lake-Sumter, as Seller and Village Center Community Development District (Village Center CDD) as Purchaser. The Purchased Assets include facilities and systems inclusive of real estate land and improvements, furniture, fixtures and equipment, licenses, easements and consents and the absolute assignment of the Amenity Fees from specified residents accruing pursuant to the Declaration of Restrictions.

Summary of Values:

Public Resources Management Group, Inc.

Value of Amenity Fees: \$60,477,326

Review Appraiser's Retrospective Market Value

Market Value of Real Estate Assets \$ 3,990,000

Market Value of Amenity Fees \$24,000,000

Total Market Value \$27,990,000

SCOPE OF WORK

In keeping with the purpose of the report, I have reviewed the Village Center Community Development District Recreational Facilities Updated 2003 Transaction Valuation Analysis dated April 14, 2009 as prepared by Robert J. Ori, Public Resources Management Group, Inc. (PRMG), 341 North Maitland Avenue, Suite 300, Maitland, Florida in order to provide an opinion as to the relevancy of the data and analyses utilized, the appropriateness of the valuation methodology and the reliability of the reported opinions and conclusions.

In addition, I developed an independent opinion of the Retrospective Fair Market Value of the Subject Purchased Assets as of the March 26, 2003 date of purchase. Therefore, for analytical purposes, I completed an identification and inspection of the real estate and personal property component of the Subject Purchased Assets, a review of Lake County, Marion County and Sumter County public records data, as well as a review of the records of the respective County's Property Appraisers Office. Additional information reviewed included legal and physical descriptions of the real estate, physical descriptions of the personal property, as well as locational maps and photographs of the Purchased Assets as provided by the Village Center Community Development District.

Furthermore, I reviewed the Agreement for Purchase and Sale dated March 26, 2003 between The Villages of Lake-Sumter (Seller) and Village Center Community Development District (Purchaser), The Assignment and Delegation and The Fifth Amendment To Security Agreement both dated March 31, 2003, as well as the Village Center Community Development District Recreation Amenities Division (RAD) District budgets and audits for Fiscal Years 2002-2003, 2003-2004 and 2004-2005. I have further analyzed various contracts and agreements for services as well as surveys and building plans relative to the Subject Purchased Assets.

For analytical purposes, I have relied upon said data, relative to the physical and income producing characteristics of the overall Subject Purchased Assets. Said data was considered sufficient to adequately identify the scope and character of the overall Subject Property, so as to provide a reliable indication of Market Value. The data utilized was indicated to represent the best data available as of the date of preparation of the valuation and considered to be reliable and believed to be true and correct. Any substantial variation and/or modification to said data could have a material effect on the estimate of Market Value and would require additional analyses.

In order to provide an indication of the Retrospective Market Value of the Subject Purchased Assets as of the March 26, 2003 date of purchase, I utilized the Cost, Sales Comparison and the Income Capitalization approaches to valuation. The Cost Approach was applied in the valuation of the personal property and portions of the real estate which were considered special purpose properties. The Sales Comparison Approach was utilized in the valuation of the Subject golf course property. The Income Capitalization Approach was utilized in the valuation of the assigned Amenity Fees.

DEFINITION OF MARKET VALUE

Income Tax: Federal Register, vol. 55, no. 163, August 22, 1990, pages 34228 and 34229.

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

PROPERTY RIGHTS APPRAISED

The purpose of the appraisal is to provide an estimate of the Fair Market Value of the Fee Simple Interest in the individual Subject Purchased Assets, as of the date of retrospective valuation. Therefore, this appraisal assumes marketable and insurable fee simple title. The appraisal is therefore made with the understanding that as of the date of valuation the ownership of the individual Subject Purchased Assets, included all the rights that may be lawfully held under a fee simple estate.

Fee simple is defined in The Dictionary of Real Estate Appraisal, Fourth Edition (Chicago: Appraisal Institute, 2002) as follows:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

INDENTIFICATION OF THE SUBJECT PROPERTY

The Subject Property consists of the purchased assets as described within the Agreement for Purchase and Sale dated March 26, 2003 between The Villages of Lake-Sumter (Seller) and Village Center Community Development District (Purchaser). According to information provided by the Village Center CDD Finance Office, the real estate and personal property purchased are as follows:

Village Center Community Development District Recreational Amenities Division March 2003 Purchased Assets			
Land		Building & Structures:	
<u>Area</u>		<u>Area</u>	
57	Briar Meadow Postal Park	57	Briar Meadow Postal Facility
58	Briar Meadow South Guardhouse	58	Briar Meadow South Guardhouse
59	Briar Meadow North Guardhouse	59	Briar Meadow North Guardhouse
60	Briarwood Golf Course	64	Calumet Grove Guardhouse
61	Walnut Grove Golf Course	65	Chatham Guardhouse
62	Briarwood/Walnut Grove Golf Well House	66	Piedmont Guardhouse
63	Briarwood/Walnut Grove Golf Pump House	67	Piedmont Postal Facility
64	Calumet Grove Guardhouse	68	Silver Lake Club Leasehold Improvements
65	Chatham Guardhouse	69	Springdale EMS Station
66	Piedmont Guardhouse	70	Springdale Guardhouse
67	Piedmont Postal Park	71	Springdale Postal Facility
68	Silver Lake Club	72	Tierra Del Sol Postal Facility
69	Springdale EMS	73	Woodbury Postal Facility
70	Springdale Guardhouse	74	Rio Grande Postal Facility
71	Springdale Postal Park		
72	Tierra Del Sol Postal		
73	Woodbury Postal Park		
74	Rio Grande Postal Park		
75	Glenview Open Space Entry Feature		
Improvements		Furniture, Fixture & Equipment	
<u>Area</u>		<u>Area</u>	
58	Briar Meadow South Guardhouse Signage	57	Briar Meadow Postal Trash Receptacles
59	Briar Meadow North Guardhouse Signage	58	Briar Meadow South Gate System
60	Briarwood Golf Course Irrigation	59	Briar Meadow North Gate System
60	Briarwood Golf Course Cart Paths	60	Briarwood Golf Course Equipment
60	Briarwood Golf Course Int. Drainage	61	Walnut Grove Golf Course Equipment
61	Walnut Grove Golf Course Irrigation	64	Calumet Grove Guardhouse Gate System
61	Walnut Grove Golf Course Cart Paths	65	Chatham Guardhouse Gate System
61	Walnut Grove Golf Course Int. Drainage	66	Piedmont Guardhouse Gate System
64	Calumet Grove Guardhouse Signage	68	Silver Lake Club Sound System
65	Chatham Guardhouse Signage	68	Silver Lake Club Pool Tables
66	Piedmont Guardhouse Signage	68	Silver Lake Club Furn/Fix/Décor
69	Springdale EMS Signage	69	Springdale EMS Appliances
70	Springdale Guardhouse Signage	70	Springdale Guardhouse Gate System
		71	Springdale Postal Trash Receptacles

IDENTIFICATION OF THE SUBJECT PROPERTY

- Continued

The Agreement for Purchase and Sale also included an assignment to the Purchaser of the right to collect Amenity Fees from 4,478 designated lot owners accruing pursuant to the Declaration of Restrictions in effect within the respective Villages subdivisions. The Amenity Fee in effect as of the date of sale was \$105.00 per month per lot owner.

Refer to Exhibit A for complete legal descriptions of the Subject real property. Refer to Exhibit B for individual descriptions of the physical characteristics of the Subject real property. Refer to Exhibit C for an illustrative Declaration of Restrictions which contain, among other things, provisions relating to the recreational facilities amenities and the fees and charges for their use. Refer to exhibit D for a listing of the 4,478 designated home owners.

Overview of The Villages

As indicated, the overall Subject Property is situated within the overall retirement community referred to as "The Villages". The planned residential community lies within the boundaries of Lake, Sumter and Marion Counties in Central Florida. The majority of the Lake County portion of the Villages lies within the Town of Lady Lake while, a small portion of the Villages in Sumter County lies within the City of Wildwood. Development of the Villages began in the 1980's and continues to the present by The Villages of Lake-Sumter, Inc., the developer.

The Village Center Community Development District (Village Center CDD) is a Florida political subdivision created by the Town of Lady Lake in 1992 pursuant to Chapter 190 of the Florida Statutes. The District provides and maintains roads, potable water and waste water treatment services, stormwater management systems, fire protection services, recreational facilities and services, and security services within its District boundaries, and outside of its District boundaries pursuant to the Interlocal Governmental Agreements with Lake, Marion and Sumter Counties, and also with the Town of Lady Lake.

There are 154 separate platted subdivisions within Village Center CDD's Service Area. The Declaration or Restrictions applicable to each subdivision contains a covenant by which each home owner pays "Amenities Fees" for the recreational and security services provided by the Developer or its assignee.

In anticipation that eventually the Developer would complete and sell all of the homes in The Villages, in 1995 the Village Center CDD and the Developer determined that in order to provide a sustainable community, the Amenity Facilities and Services provided by the Developer or its assignee, and the Amenities Fees generated would be owned and operated by the Village Center CDD.

INDENTIFICATION OF THE SUBJECT PROPERTY

- Continued

Overview of The Villages –Continued

The initial transfer of the facilities and the absolute assignment of Amenities Fees occurred in May of 1996. At the time of this initial transfer and assignment, it was contemplated that as (1) additional recreational and security facilities were constructed by the Developer and (2) the purchasers of newly constructed homes since the May 1996 closing began paying Amenities Fees to the Developer, the Developer would sell the additional facilities and assign the right to receive Amenities Fees from newly constructed residences. Any such future transfer would be required to be separately approved by the District.

The Agreement for Purchase and Sale dated March 26, 2003 between The Villages of Lake-Sumter (Seller) and Village Center Community Development District (Purchaser) represents the sixth transfer of facilities and assignment of Amenities Fees from the Developer to the Village Center CDD. As part of this sixth transfer, in addition to the real estate facilities and personal property as described herein, the Developer made an irrevocable assignment to the Village Center CDD of the Amenities Fees generated by 4,478 homes within the Village Center CDD's Service Area.

VALUATION ASSUMPTIONS, METHODOLOGY AND CONCLUSIONS

The Public Resources Management Group, Inc. (PRMG) Report

Robert J. Ori, Public Resources Management Group, Inc. (PRMG) prepared an original appraisal report dated March 18, 2003 in which was estimated the present value of the net cash flow derived from the Village Center CDD's existing and to be acquired Recreational Facilities. Per the report the estimated value was approximately \$81 million (\$81,621,139).

PRMG subsequently revised their valuation and provided a Recreational Facilities – Updated 2003 Transaction Valuation Analysis dated April 24, 2009. Per PRMG, the purpose of the updated report was to evaluate the 2003 purchase transaction assuming only the incremental recreational amenities that would accrue to the Village Center CDD (a stand-alone transaction) as opposed to a series of transactions that are to occur over time (the "Updated Report"). The PRMG Updated Report estimated the present value of the net cash flow derived from the incremental net amenities fee revenues associated with the Recreational Facilities acquired by the Village Center CDD in 2003 to be approximately \$60.5 million (\$60,477,326).

PRMG's stated explanation of the why the revised value is correct is explained within the Updated Report that "based on the assumptions reflected in this report, the estimated present value of the incremental net revenues generated from the acquired Recreational Facilities presented on a "stand-alone" basis approximates what was paid by the District to the Developer at closing (based on our understanding of the deposit made by the District from the bonds issued to finance the acquisition)."

Since the April 2009 Updated Report, revises only those assumptions which relate to incremental net revenues, both the original March 18, 2003 report and the Updated Report are the subject of this Review.

Data and Analysis Utilized

The review of the PRMG reports found that neither contained a definition of the value estimated. The standard of value sets the assumptions as to the motivations of the buyer in the hypothetical transaction by addressing the questions of value to whom and under what circumstances. The PRMG reports' lack of a definition of the standard of value renders the value conclusion meaningless.

VALUATION ASSUMPTIONS, METHODOLOGY AND CONCLUSIONS - Continued

The Public Resources Management Group, Inc. (PRMG) Report (Continued)

Valuation Methodology

Both the original PRMG report and the Updated Report describe the subject of the valuation as consisting of certain recreational, maintenance, security, and other related facilities, the Recreational Facilities. Furthermore, each report utilized the Income Capitalization Approach in the determination of the value of the Recreational Facilities.

According to the PRMG Updated Report, "The income approach focuses on the net cash flow derived from the operation of the assets to be purchased with the assumption that the value would equal the present value of such net cash proceeds (benefits) being derived from the assets being acquired and the operation of the Recreational Department which includes the additional Recreational Facilities."

PRMG utilized the lot owner Amenity Fees as assigned to Village Center CDD to derive gross income. As stated, the Agreement for Purchase and Sale included an assignment to Village Center CDD of the right to collect Amenity Fees from 4,478 designated lot owners accruing pursuant to the Declaration of Restrictions in effect within the respective Villages subdivisions. The Amenity Fee in effect as of the date of sale was \$105.00 per month per lot owner. PRMG projected that annual Amenity Fees along with estimates of Other Operating Revenue would escalate at 2.9 percent and 2.4 percent respectively during Years Two and Three and nominally at .14 percent per year thereafter over a 30-year analytical period.

In order to derive the net cash proceeds (benefits), the PRMG Updated Report estimates the operating expenses associated with the additional Recreational Facilities inclusive of a reserve for capital expenditures and asset replacement. According to the PRMG Updated Report the adjusted Fiscal Year 2003 operating expenses estimates were escalated through Fiscal Year 2006 for a variety of factors including allowances for inflation and estimated costs for wages and benefits. According to PRMG, total operating expenses and capital and equipment reserves when deducted from total recreational department revenue resulted in a net cash flow referred to as "Net Available for Series 2003 Recreational Facilities".

In order to derive the net present value of the Amenity Fees, PRMG utilized a 30-year forecast period and discounted the estimated net cash flows at an annual rate of 5.58 percent. According to PRMG, the 30-year forecast period, as well as the discount rate was based on the expected average service life of the purchased assets and the terms of the financing for the Purchased Assets.

VALUATION ASSUMPTIONS, METHODOLOGY AND CONCLUSIONS - Continued

The Public Resources Management Group, Inc. (PRMG) Report (Continued)

Valuation Methodology - Continued

The Income Capitalization Approach within the PRMG Updated Report analyzes the cash flow derived from the Amenity Fee assignment as representative of the operations of a "stand-alone" recreational department whose assets are comprised solely of the Subject real estate and personal property. As a result, PRMG's income analysis is based on the assumption that their value represents the present value of the net cash proceeds being derived from the assets being acquired and the operation of the Recreational Department which includes the additional Recreational Facilities.

This assumption is considered flawed as the Subject assets under analysis are indicated to be comprised of (1) recreational amenities in the form of real estate and personal property and (2) an assignment to the Purchaser of the right to collect Amenity Fees from 4,478 designated lot owners accruing pursuant to the Declaration of Restrictions in effect within the respective Village Center CDD subdivisions.

The recreational amenities in the form of real estate and personal property have an associated value which should have been estimated and provided. The Amenity Fees assigned are derived from the monthly charge against lot owners for the perpetual provision of recreational services by the Developer (The Villages of Lake-Sumter) or Village Center CDD. The Amenity Fee allows all lot owners the use of and access to all of the many recreational facilities and safety amenities existing within the Village Center CDD and not just the Purchased Assets recreational facilities. Therefore, the entire monthly amenity fee amount cannot be allocated solely to the real estate and personal property component of the March 2003 Purchased Assets. As a result, the value derived solely from analysis of the amenity fee stream would not include the value of the real estate and personal property component.

PRMG indicates that operating expenses estimates were escalated through Fiscal Year 2006 for a variety of factors and assumptions with no additional escalation past the 2006 projection year. This would equate to operating expenses remaining flat with no increases over the remaining 27-year forecast period. This assumption is considered questionable and cannot be based upon historical trends as is claimed by PRMG. A review of the Consumer Price Index - All urban Consumers for the four-year period of 1999 thru 2002 indicated an average change of 2.0 percent per year. Therefore, it is unreasonable to project that operating expense levels would increase during the first three years only with no additional increase over the remaining 27-year period.

VALUATION ASSUMPTIONS, METHODOLOGY AND CONCLUSIONS - Continued

The Public Resources Management Group, Inc. (PRMG) Report (Continued)

Valuation Methodology - Continued

The PRMG reports analyze the cash flow from the Amenity Fees utilizing a forecast period of 30 years. According to the Updated Report, the term was based on the expected average service life of the acquired Recreational Facilities and the repayment term of the bonds issued to finance the transaction. Although there is no valuation standard for the term of a forecast period, typical forecasts terms for real estate or business valuations are over ownership periods of five to 15 years. PRMG's use of the 30-year forecast period appears excessive and to be tied directly to term of the bond issue financing.

PRMG discounted the estimated net cash flows at an annual rate of 5.58 percent. According to PRMG, "The discount factor used in the development of the net present value of the future cash flow of the District's Recreational Department operations was 5.58%. This discount rate is the estimated equivalent to the blended or average cost of capital (True Interest Cost) associated with the issuance of the Series 2003A Bonds and Series 2003B Bonds as estimated by the District's Senior Managing Underwriter."

The use of the 5.58 percent discount rate by PRMG is considered to be inappropriate as it includes only the cost of the bond financing with no consideration for the elements of risk associated with future uncertainty and market inflation. The use of the 5.58 percent discount rate by PRMG results in an estimate of Investment Value of the assigned Amenity Fees applicable only under specific investment criteria.

Valuation Conclusion

Although neither PRMG report contains a definition of the value being estimated, it appears that the forecasts and variables utilized were not market derived and projected specifically to determine how much debt and debt service the net income from the assigned Amenity Fees could support.

This lack of a defined value is considered one of the most significant flaws in the PRMG reports as the standard of value sets the assumptions as to the motivations of the buyer in the hypothetical transaction by addressing the questions of value to whom and under what circumstances. Additionally as outlined in the foregoing sections, there were several areas of the PRMG income capitalization analysis which were based on highly questionable assumptions relative to operating expense levels and growth rates.

In addition, PRMG failed to provide an estimate of the market value of the real estate and personal property component of the Subject Purchased Assets. Therefore, in consideration of the numerous questionable assumptions and the lack of a definition of the value estimated, the PRMG value conclusion is considered meaningless.

REVIEW APPRAISER'S OPINION OF MARKET VALUE

Based upon my review of the PRMG valuation reports, I have concluded that the PRMG estimate of value is not credible and is based upon criteria specifically designed to reflect the terms and conditions of the Village Center CDD acquisition of the Purchased Assets. Therefore, in keeping with the scope of this assignment I have performed a retrospective Market Value analysis of the Purchased Assets, as of the March 26, 2003 date of acquisition.

As previously stated, the Intended Use of the Appraisal Review is for use by the Internal Revenue Service (IRS) for audit purposes.

My opinion of Market Value is limited to the analysis of the Purchased Assets as described within the Agreement for Purchase and Sale dated March 26, 2003 between The Villages of Lake-Sumter, as Seller and Village Center Community Development District (Village Center CDD) as Purchaser. The Purchased Assets include facilities and systems inclusive of real estate land and improvements, furniture, fixtures and equipment, easements and consents and the absolute assignment of the Amenity Fees from specified residents accruing pursuant to the Declaration of Restrictions.

My opinion of Market Value is based upon the Extraordinary Assumptions that:

The data within the PRMG reports relating to the physical characteristics of the individual components which comprise the Subject Property are deemed to be credible and are extended by reference to my opinion of Market Value.

PRMG's assumption relative to amenity fee levels in effect as of the March 2003 report date is deemed to be credible and therefore, is extended by reference to my opinion of Market Value.

It should be noted that the use of these Extraordinary Assumptions could have a material effect upon my opinion of Market Value. Therefore, any substantial variation and/or modification could have material affect on the estimate of Market Value as reflected herein and would be subject to additional analysis. Furthermore, my opinion of Market Value is as of the retrospective date of valuation of March 26, 2003. The date of preparation of this report was June 24, 2011.

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

As indicated the Subject Property consists of the Purchased Assets as described within the Agreement for Purchase and Sale dated March 26, 2003. According to information provided by the Village Center CDD Finance Office, the real estate and personal property purchased are summarized as follows:

Village Center Community Development District			
Recreational Amenities Division March 2003 Purchased Assets			
Real Estate		Furniture, Fixture & Equipment	
<u>Area</u>		<u>Area</u>	
57	Briar Meadow Postal Park	57	Briar Meadow Postal Trash Receptacles
58	Briar Meadow South Guardhouse	58	Briar Meadow South Gate System
59	Briar Meadow North Guardhouse	59	Briar Meadow North Gate System
60	Briarwood Golf Course	60	Briarwood Golf Course Equipment
61	Walnut Grove Golf Course	61	Walnut Grove Golf Course Equipment
62	Briarwood/Walnut Grove Golf Well House	64	Calumet Grove Guardhouse Gate System
63	Briarwood/Walnut Grove Golf Pump House	65	Chatham Guardhouse Gate System
64	Calumet Grove Guardhouse	66	Piedmont Guardhouse Gate System
65	Chatham Guardhouse	68	Silver Lake Club Sound System
66	Piedmont Guardhouse	68	Silver Lake Club Pool Tables
67	Piedmont Postal Park	68	Silver Lake Club Furn/Fix/Décor
68	Silver Lake Club	69	Springdale EMS Appliances
69	Springdale EMS	70	Springdale Guardhouse Gate System
70	Springdale Guardhouse	71	Springdale Postal Trash Receptacles
71	Springdale Postal Park		
72	Tierra Del Sol Postal		
73	Woodbury Postal Park		
74	Rio Grande Postal Park		
75	Glenview Open Space Entry Feature		

The Agreement for Purchase and Sale also included an assignment to the Purchaser of the right to collect Amenity Fees from 4,478 designated lot owners accruing pursuant to the Declaration of Restrictions in effect within the respective Villages subdivisions. The Amenity Fee in effect as of the date of sale was \$105.00 per month per lot owner.

As stated, I developed an independent opinion of the Retrospective Fair Market Value of the Subject Purchased Assets as of the March 26, 2003 date of purchase. For valuation purposes, I utilized the Cost, Sales Comparison and the Income Capitalization approaches to valuation. The Cost Approach was applied in the valuation of the portions of the real estate which were considered special purpose properties and in the valuation of the personal property. The Sales Comparison Approach was utilized in the valuation of the golf course property. The Income Capitalization Approach was utilized in the valuation of the assigned Amenity Fees.

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Real and Personal Property Valuation

For analytical purposes, I completed an identification and inspection of the real estate and personal property component of the Subject Purchased Assets, a review of Lake County, Marion County and Sumter County public records data, as well as a review of the records of the respective County's Property Appraisers Office. Additional information reviewed included legal and physical descriptions of the real estate, physical descriptions of the personal property, as well as locational maps and photographs of the Purchased Assets as provided by the Village Center Community Development District.

The Subject real estate component is comprised of the Silver Lake Clubhouse facility, the 18-hole, 76.2-acre Briarwood/Walnut Grove Golf Course, the Springdale EMS emergency response station, six postal park facilities, six guard houses and the Glenview landscaped berm area entry feature. The Subject facilities are not contiguous and are situated throughout the overall Village Center CDD and provide recreational and security services to the homeowners within the respective subdivisions. Refer to Exhibit B for individual descriptions of the physical characteristics of the real property.

Pertinent physical characteristics of the Subject real estate are summarized as follows:

Village Center Community Development District					
Recreational Amenities Division March 2003 Purchased Assets					
Real Estate		Physical Characteristics			
Area		Year Built	Land Area	Building Area	County Location
57	Briar Meadow Postal Park	2001	30,927 SF	580 SF	Marion
58	Briar Meadow South Guardhouse	2001	1,014 SF	121 SF	Marion
59	Briar Meadow North Guardhouse	2001	789 SF	112 SF	Marion
60-61	Briarwood/Walnut Grove Golf Course	2001	76.2 Acres	800 SF	Marion
62	Briarwood/Walnut Grove Golf Well House	2001	828 SF	361 SF	Marion
63	Briarwood/Walnut Grove Golf Pump House	2001	945 SF	441 SF	Marion
64	Calumet Guardhouse	2001	1,014 SF	100 SF	Marion
65	Chatham Guardhouse	2001	1,014 SF	121 SF	Marion
66	Piedmont Guardhouse	2001	1,010 SF	165 SF	Marion
67	Piedmont Postal Park	2001	32,946 SF	768 SF	Marion
68	Silver Lake Club	1987/ Renovated 2002	48,700 SF	5,100 SF	Lake
69	Springdale EMS	2001	18,677 SF	1,172 SF	Marion
70	Springdale Guardhouse	2000	1,008 SF	225 SF	Marion
71	Springdale Postal Park	2000	41,805 SF	609 SF	Marion
72	Tierra Dei Sol Postal	1993	20,805 SF	718 SF	Sumter
73	Woodbury Postal Park	2001	31,306 SF	609 SF	Marion
74	Rio Grande Postal Park	2001	10,686 SF	984 SF	Lake
75	Glenview Open Space Entry Feature	2000	3.8 Acres	None	Sumter

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Real and Personal Property Valuation (Continued)

As indicated, the Cost Approach was applied in the valuation of the personal property and portions of the real estate which were considered special purpose properties, while the Sales Comparison Approach was utilized in the valuation of the golf course property. Those properties which were considered special purpose included the Springdale EMS emergency response station, the postal park facilities, the guard houses and the Glenview landscaped area entry feature.

The Springdale EMS is an emergency response station inclusive of a single vehicle bay and staff dormitory facilities. The concrete block structure contains a building area of 1,172 SF. The postal park facilities represent free-standing wood frame on concrete slab structures housing postal mailboxes for residents, a mail service work room, an employee restroom and an automatic teller machine. The buildings range in finished area size from 580 SF to 984 SF. The guard houses represent freestanding concrete structures with associated electronic gate arms. The facilities are unmanned and range in size from 100 SF to 225 SF of building area. Site improvements at each facility include paving, parking, lighting and landscaping. The Glenview landscaped area is a green area feature with a decorative waterscape comprised of ponds and waterfalls. The approximate 3.8 acres of open green area provides an entry feature for the Village of Glenbrook Subdivision. According to conversation with representatives of Village Center Community Development District, as of the date of valuation, the real and personal property was indicated to have been in overall good condition.

According to data provided by the Village Center Community Development District Finance Department, the March 2003 Purchased Assets real estate and personal property assets were assigned to the Fixed Asset List based on the depreciated cost of the respective property as provided by the Seller (the Developer), The Villages of Lake-Sumter. A review of said data pertaining to the Subject real estate and personal property was reviewed and found to reflect reasonable indications of the market value of the land parcels and the depreciated cost of the building improvements and site improvements, as well as the associated personal property.

However, it should be noted that the Fixed Asset List value indications associated with the Briar Meadow/Walnut Grove Golf Course were found to be substantially above sales price indications for comparable 18-hole executive golf courses. Therefore, as stated, the Sales Comparison Approach was utilized in the valuation of the golf course property.

Therefore, for valuation purposes, I have relied upon the Village Center Community Development District Fixed Asset List as reflective of the Fair Market Value of the special purpose real estate and personal property assets as of the March 26, 2003 date of valuation.

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Real and Personal Property Valuation (Continued)

The summary of the respective Fair Market Values of the Subject Springdale EMS emergency response station, the six postal park facilities, the six guard houses and the Glenview landscaped green area entry feature is shown as follows:

Village Center Community Development District					
Purchased Assets Market Value Summary					
Real Estate		Market Value			
Area		Personal Property	Land Value	Improvements Value ¹	Total Value
57	Briar Meadow Postal Park	\$1,054	\$4,800	\$199,270	\$205,164.00
58	Briar Meadow South Guardhouse	\$23,155	\$140	\$175,270	\$198,561.00
59	Briar Meadow North Guardhouse	\$18,690	\$140	\$138,004	\$156,830.00
64	Calumet Guardhouse	\$19,820	\$140	\$108,000	\$127,960.00
65	Chatham Guardhouse	\$26,140	\$140	\$179,000	\$205,280.00
66	Piedmont Guardhouse	\$18,930	\$140	\$132,300	\$151,370.00
67	Piedmont Postal Park	\$0	\$5,200	\$250,130	\$255,330.00
68	Silver Lake Club	\$23,600	\$5,600	\$140,160	\$169,360.00
69	Springdale EMS	\$1,490	\$2,900	\$168,300	\$172,690.00
70	Springdale Guardhouse	\$18,930	\$140	\$136,600	\$155,670.00
71	Springdale Postal Park	\$1,200	\$6,500	\$225,600	\$233,300.00
72	Tierra Del Sol Postal	\$0	\$2,400	\$190,200	\$192,600.00
73	Woodbury Postal Park	\$0	\$4,900	\$210,600	\$215,500.00
74	Rio Grande Postal Park	\$0	\$1,300	\$130,400	\$131,700.00
75	Glenview Open Space Entry Feature	\$0	\$13,900	\$0	\$13,900.00
	TOTAL				\$2,585,215.00 \$2,590,000

As stated, the Sales Comparison Approach was utilized in the valuation of the golf course property. The Briarwood/Walnut Grove Golf Course is an 18 hole executive course comprised of the nine par 3 Briarwood Course and the nine par 3 Grove Course. The overall Briarwood/Walnut Grove Golf Course contains a total of 76.20 acres with features inclusive of three lined lakes, par 3's with distances of from 120 to over 200 yards and large teeing complexes positioned to accommodate all levels of golfing abilities. Refer to Exhibit B for a more detailed description of the Briarwood/Walnut Grove Golf Course.

¹ Improvements value indicated to include site improvements in the form of paving, parking, landscaping, lighting and irrigation at each facility.

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Real and Personal Property Valuation (Continued)

It is significant to note that a Florida Power Corporation (F.P.C.) transmission line transverses the Briarwood/Walnut Grove Golf Course. According to the Sketches of Description as prepared by Farner Barley and Associates, Inc. and dated February 26, 2003, the F.P.C. Silver Springs Transmission Line transverses the southwestern portion of the overall Subject golf course and has a width of 170 feet. Analysis of the Supplemental Easement For Additional Facilities In Existing Right-Of-Way dated November 19, 1991 to Florida Power Corporation as Grantors indicates that the F.P.C. Silver Springs Transmission Line has an associated 100 foot wide right-of-way.

In addition, a review of the Florida Department of Community Affairs Development Order for the Villages of Marion² dated October 10, 2000, indicates that 76.0 acres of the Briarwood/Walnut Grove Golf Course, the F.P.C. Silver Springs Transmission Line and the associated 100 foot wide right-of-way are required to be preserved as part of a Wildlife Habitat Management Plan. The plan was developed in order to preserve adequate habitat for the Southeastern American Kestrel, Sherman's fox squirrels and the gopher tortoises wildlife species found on the property. According to the Development Order, the Kestrel preserve consists of 18 acres of Kestrel nest buffer and an additional area of 105.5 acres of golf course rough, power easements and other open space areas.

Both the F.P.C. Silver Springs Transmission Line and associated right-of-way and the Wildlife Habitat Management Plan Kestrel preserve conservation requirements serve to restrict any alternative use of the Briarwood/Walnut Grove Golf Course land which has been taken into consideration. Therefore, for analytical purposes, the Subject Golf Course facility is considered to be reflective of a special -use property limited to passive recreational use.

As indicated, the Sales Comparison Approach was utilized in the valuation of the golf course property. The Sales Comparison Approach is based on the principle of substitution; that is, when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property assuming no costly delay in making the substitution. The appraisal technique involves collection and analysis of sales of properties considered comparable to the Subject. The comparable sales are then adjusted for the differences between them and the Subject Property, resulting in an indication of value.

² Development Order for Designation of Marion Villages as a Florida Quality Development as recorded in Official Records 02854 at Page 1250 of the public records of Marion County, Florida

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Real and Personal Property Valuation (Continued)

Therefore, for valuation purposes, the sales of properties which have similar characteristics to the Subject Parcels have been collected and analyzed. My search of the Subject golf course market indicated a somewhat active market and several comparable sales were found. The five comparable sales analyzed each represent operating golf course facilities situated within the Central and South Florida market area and each transaction occurred within the 24 months of the date of valuation.

The comparable sales which have been utilized in my analysis are considered representative of the best data available, as of the date valuation. Said sales, after having been analyzed and adjusted for differentials between them and the Subject Properties are considered to provide reliable indications of Fair Market Value. My overall analysis has taken into account the financing, conditions of sale, market conditions/time of sale, location, age/condition, site size and the golf course characteristics of the individual courses at the time sale.

The following Summary of Comparable Sales chart serves to illustrate the salient characteristics of the comparable sales analyzed relative to the estimation of the Fair Market Value for the Subject Briarwood/Walnut Grove Golf Course. Refer to Exhibit F for individual sales data sheets detailing the golf course facilities analyzed.

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Real and Personal Property Valuation (Continued)

SUMMARY OF COMPARABLE GOLF COURSE FACILITY SALES

	Subject Property	Sale One	Sale Two	Sale Three	Sale Four	Sale Five
Name of Facility	Briarwood/Walnut Grove Golf Course	Sandpiper Golf Course	Summerfield Crossings Golf Club	Brooker Creek Golf Club	Cypress Creek Golf Course	Aquarina Golf Course
Location	The Villages, FL., Marion County	Lakeland, FL., Polk County	Riverview, FL., Hillsborough County	Palm Harbor, FL., Pinellas County	Boyton Beach, FL., Palm Beach County	Melbourne Beach, FL., Brevard County
Type	Private	Public	Public	Public	Public	Public
Site Size	76.2 acres	98.9 acres	107.8 acres	140.2 acres	129.3 acres	120 acres
Building Area	800 SF	12,041 SF	13,613 SF	14,970 SF	9,825 SF	2,867 SF
Year Built	2001	1987	1987	1974	1956	1996
Date of Sale	---	3/25/2003	2/28/2003	01/09/2003	11/28/2001	8/31/2001
Holes	18	18	18	18	18	18
PAR	NA	70	71	72	72	62
Yardage	2,990	6,442	6,903	6,504	6,531	4,302
Slope Rating	113	120	125	129	131	107
Course Rating	30	70	73	71	72	61
Sales Price	—	\$2,000,000	\$3,600,000	\$2,300,000	\$2,668,500	\$2,000,000
Sales Price Per Hole		\$111,100	\$200,000	\$127,800	\$148,400	\$111,100
Sales Price Per Acre	—	\$20,200	\$33,400	\$16,400	\$20,600	\$16,700

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Real and Personal Property Valuation (Continued)

The comparable sales data is considered to be of an adequate quality and representative of those most relevant transactions involving average quality golf course facilities in the Subject's market area as of the date of valuation. These sales were represented as bona-fide "arm's length" transactions and are representative of value in terms of the salient characteristics under analysis.

As stated, my overall analysis has taken into account the financing, conditions of sale, market conditions/time of sale, location, site size and the golf characteristics of the individual courses at the time sale. Relative to financing, each of the comparable sales was indicated to have been reflective of cash to the seller transactions. Therefore, no adjustments for atypical financing were considered to be required.

Relative to conditions of sale, the comparable sales were each found to be "arm's length" transactions with no unusual circumstances present. Therefore, no adjustments for conditions of sale were considered to be required. In addition, in consideration of the stabilization of values for golf course facilities in effect within the Subject sub-market, no adjustment for market conditions/time of sale was considered to be required.

Relative to location, each of the comparable sales under analysis is considered to be comparable to the Subject Golf Course and to require no adjustment. Relative to age /condition, each of the comparable sales is considered to be inferior to the Subject Golf Course and to require positive adjustment.

Relative to site size and golf course characteristics the sales analyzed are considered to be superior to the Subject Property and to require adjustment. Therefore, negative adjustment was applied to each of the comparable sales to offset their superior size and yardage characteristics as well as market standard ratings for course PAR, Yardage and Slope characteristics.

It should be noted that the presence of both the F.P.C. Silver Springs Transmission Line and associated right-of-way and the Wildlife Habitat Management Plan Kestrel preserve conservation requirements which serve to restrict any alternative use of the Briarwood/Walnut Grove Golf Course land has been taken into consideration. None of the comparable properties under analysis were found to be subject to similar restrictions.

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Real and Personal Property Valuation (Continued)

For analytical purposes, I have utilized the Price/Acre and Price/Hole indications as appropriate units of comparison in my analysis of the comparable sales. Said analysis provided indications of an unadjusted value range of \$16,400/Acre to \$33,400/Acre and \$111,100/Hole to \$200,00/Hole. Upon further analysis and adjustment as described herein, the adjusted Price/Acre ranged from \$13,100/Acre to \$26,700/Acre and \$88,800/Hole to \$160,000/Hole. After consideration of the factors which affect value, it is my estimate that \$16,000/Acre and \$90,000/Hole represent reasonable indications of Fair Market Value for the Subject Course Golf facility. Therefore, after consideration of the foregoing analysis, it is my opinion that the Fair Market Value for the Subject Golf Course facility, as of the March 26, 2003 date of valuation was as follows:

Price per Acre 76.2 acres X \$16,000/Acre)	\$1,219,200	Say \$1,200,000
Price per Hole (18 holes X \$90,000/Hole)	\$1,620,000	Say \$1,600,000
Reconciled Fair Market Value	\$1,400,000	

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Amenity Fee Stream Valuation

The Village Center Community Development District (Village Center CDD) is a Florida political subdivision created by the Town of Lady Lake in 1992 pursuant to Chapter 190 of the Florida Statutes. Village Center CDD provides and maintains roads, potable water and waste water treatment services, stormwater management systems, fire protection services, recreational facilities and services, and security services within its boundaries, and outside of its District boundaries pursuant to the Interlocal Governmental Agreements with Lake, Marion and Sumter Counties, and also with the Town of Lady Lake.

There are 154 separate platted subdivisions within Village Center CDD's Service Area. The Declaration or Restrictions applicable to each subdivision contains a covenant by which each home owner pays "Amenities Fees" for the recreational and security services provided by the Developer or its assignee.

In anticipation that eventually the Developer would complete and sell all of the homes in The Villages, in 1995 the Village Center CDD and the Developer determined that in order to provide a sustainable community, the Amenity Facilities and Services provided by the Developer or its assignee, and the Amenities Fees generated would be owned and operated by the Village Center CDD.

The Agreement for Purchase and Sale dated March 26, 2003 between The Villages of Lake-Sumter (Seller) and Village Center Community Development District (Purchaser) represents the sixth transfer of facilities and assignment of Amenities Fees from the Developer to the Village Center CDD. As part of this sixth transfer, in addition to the real estate facilities and personal property as described herein, the Developer made an irrevocable assignment to the Village Center CDD of the Amenities Fees generated by 4,478 homes within the Village Center CDD's Service Area in exchange for assuming the obligation to provide Recreational Facilities and provide Security Services and other services. The Amenity Fee in effect as of the date of sale was \$105.00 per month per lot owner.

In consideration of the income generating characteristics of the Amenity Fee stream, the Income Capitalization Approach was utilized in the valuation of the assigned Amenity Fees.

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Amenity Fee Stream Valuation (Continued)

The process of income capitalization requires an estimate of gross income, an estimate and deduction reflecting collection losses if applicable, an estimate and deduction of the operating expenses as well as a reserve for replacements in order to arrive at the net operating income (net income before recapture or debt service.). In addition, the income capitalization analysis will require an estimate of the duration of the projected income stream, the development and selection of an appropriate capitalization rate and finally the application of the derived capitalization rate to the estimate of net income in order to provide an indication of value.

Estimate of Gross Income

As indicated, my opinion of the Market Value of the Amenity Fee stream is based upon the Extraordinary Assumption that PRMG's assumption relative to amenity fee levels in effect as of the March 2003 report date is deemed to be credible and therefore, is extended by reference to my opinion of Market Value. Therefore, as per the PRMG Updated Valuation the 2003-2004 annual estimate of Amenity Fees as derived from the 4,478 specified home owners was \$5,649,948.

Revenue from other sources such as golf fees, recreation fees and room rents was based upon 2001 and 2002 Village Center CDD actual budget amounts and estimated at 1.5% of Amenity Fee Revenue.

Operating Expenses

The projected operating expenses were based on analysis of actual Fiscal Year 2001 and 2002 figures and projected Fiscal Year 2003 and 2004 estimates associated with the operation of the Recreation Amenities Division. The actual historical operating expense amounts were analyzed on an annual basis and then allocated to the 4,478 homeowners on a per home basis. Said expenses are inclusive of but not limited to salaries and payroll expense, insurance expense, accounting and professional fees, utility services, fire services, repairs and maintenance and golf course expenses. Year One operating expenses were projected at \$3,134,600.

Capital Improvements Funding

The capital improvements funding projection was based upon those estimates as determined within the PRMG Updated 2003 Valuation Analysis. Year One capital improvements funding projection was \$1,535,525. Year Two capital improvements funding projection was \$167,443.

REVIEW APPRAISER'S OPINION OF MARKET VALUE - Continued

Amenity Fee Stream Valuation (Continued)

Net Operating Income

When total operating expenses are deducted from Gross Income, Net Operating Income (cash flow before debt service) results. Before debt service cash flows were calculated for each year in the projection period.

Projection Period

Typically, investors project a holding term of 10 years to 15-years. For analytical purposes, I have reflected a 15-year holding period relative to my analysis of the Subject Amenity Fee income stream.

Rates of return applied

After careful analysis, the discount rate range which is used in estimating the Market Value of the Subject Amenity Fee stream bringing the projected income stream to a present value estimate, ranged from 6.0% to 8.0%. This rate range was based upon the increased risk associated with the specific specialized usage at the Subject Property, as well as further taking into account the level of existing market conditions within the overall Subject real estate market as they expressly apply to the continued marketability of the homes which generate the Subject Amenity Fees..

Summary of Discounted Cash Flow Assumptions

Analysis Period:	March 2003 to March 2018
Projection Period:	15 years with no reversion
Growth Rates:	Amenity Fees - 2.0% annual increase; Operating Expenses - 2.0% annual increase
Discount Rate Range:	6.0% to 8.0%; 1.0% increments

Summary of Value Indications

Based upon my overall analysis, the Market Value of the Subject Amenity Fee stream, via the Discounted Cash Flow Method is as follows. Refer to Exhibit G for the Discounted Cash Flow Analysis.

<u>Discount Rate</u>	<u>Present Value</u>
6.0%	\$26,000,000
7.0%	\$24,000,000
8.0%	\$22,000,000
Reconciled Market Value	\$24,000,000

ASSUMPTIONS AND LIMITING CONDITIONS

This report is made subject to the following Assumptions & Limiting conditions.

This is an Appraisal Review Report which is intended to comply with the reporting requirements set forth under Standards Rules 3-2 and 3-3 of USPAP. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal review process to develop the reviewer's opinions. Supporting documentation that is not provided with the report concerning the data, reasoning, and analyses is retained in the reviewer's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The reviewer is not responsible for unauthorized use of this report;

The information contained in the appraisal report under review is reliable;

That my opinion of Market Value is based upon the Extraordinary Assumptions that:

The data provided by the Village Center Community Development District relating to the physical characteristics of the Subject Property are deemed to be credible and therefore, are extended by reference to my opinion of Market Value.

The data within the PRMG reports relating to the physical characteristics of the individual components which comprise the Subject Property are deemed to be credible and are extended by reference to my opinion of Market Value.

PRMG's assumption relative to amenity fee levels in effect as of the March 2003 report date is deemed to be credible and therefore, is extended by reference to my opinion of Market Value.

There were no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable;

The property was in full compliance with all applicable federal, state, and local environmental regulations and laws;

The property conformed to all applicable zoning, use regulations and restrictions; required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization had been or could have been obtained or renewed, for any use on which the opinion of value contained in the appraisal report under review is based;

ASSUMPTIONS & LIMITING CONDITIONS
Continued

The use of the land and improvements is confined within the boundaries or property lines of the property and there is no encroachment or trespass;

There were no hazardous materials on or in the property that would cause a loss in market value.

Possession of this report, or a copy thereof, does not carry with it the right of publication.

The reviewer, by reason of this appraisal review, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

Neither all nor any part of the contents of this report (especially any conclusions, the identity of the reviewer, or the firm with which the reviewer is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the reviewer.

CERTIFICATION

The undersigned does hereby certify that, to the best of my knowledge and belief, except as otherwise noted in the appraisal review report:

The facts and data reported by the reviewer and used in the review process are true and correct.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions stated in this review and are my personal, impartial and unbiased professional analyses, opinions and conclusions.

I have no present, retrospective or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

The amount of my compensation is not contingent upon an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with applicable Internal Revenue Service Valuation Guidelines, the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation and the requirements of the State of Florida for state certified real estate appraisers.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives, as well as the Florida Real Estate Appraisal Board.

I have made a personal inspection of the Subject Property of the work under review.

No one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification.

As of the date of this report Alice F. Price has completed the requirements of the continuing education program of the Appraisal Institute.



Alice F. Price, MAI
State Certified General Real
Estate Appraiser, State of Florida
Certification Number RZ 0000727