



MEMORANDUM

FROM: Janet Y. Tutt 

DATE: June 12, 2013

The District received notice on the afternoon of June 4th that the Internal Revenue Service had issued a Technical Advice Memorandum (TAM). On June 5th, I provided copies of the TAM to members of this Village Center Community Development District Board of Supervisors (District) and the Amenity Authority Committee members.

On June 5th I also worked with the District's Attorney, Perry Israel, and the District's Bond Counsel, Mike Williams, to assure the appropriate disclosures to the bond market were made along with a brief statement which stated the District disagrees with the conclusion set forth in the TAM and is formulating a response.

This TAM does NOT close the examination.

The IRS review is now in its 6th year and I am advising this long process may continue for some time as the District weighs its options and moves forward with the next step.

The District is still hopeful for a favorable conclusion. The IRS's own evaluation, after adjustments to make them consistent, shows that their original premise that the District overpaid for assets was incorrect and that, in fact, residents received a bargain in that they actually underpaid for those assets. Combine that positive finding with well established law regarding Special Districts and we feel confident that we can eventually grind through all of this to a positive conclusion.

As the National Association of Bond Lawyers (NABL) have stated, the TAM "is not supported by existing authority and could substantially undermine the market for Special District bonds....NABL is aware of no authority interpreting section 103(a) or any other provision of the Code where a governmental entity that has been held not to be a political subdivision solely by reason of an insufficiently large number of voters participating in the election of its governing board".

In fact, the Internal Revenue service has just closed two examinations within the last two years on Districts whose past, present and future boards are landowner elected. Yet, this issue was

never raised, addressed or considered. In addition to the lack of legal basis for the TAM, I am concerned as to what has caused the disparate treatment of like Districts by the Internal Revenue Service.

With that being said, this TAM has no impact on the numbered Districts. In addition, I also follow the statistics on home sales and home values and there hasn't been any impact there. In fact, our community continues to be in a very strong position with all of our District governments being in excellent financial condition both short and long term. In over 33 years of governmental service, I have never seen governments that were this strong financially. It is a testament as to how well the Districts work and that the financial model for the Districts was correct.

As for the content of the TAM, its lack of accuracy, selective statements, non-existent legal foundation and conclusion, I will not address that today as many of you that have read the document have already expressed the same frustration.

However, I am committed to keeping our residents fully informed as this process moves forward. It's been a long, arduous road for all of us with a lot of twists and turns. My challenge is to share the facts and not get caught up in all the misinformation, rumors, innuendos and hypothetical scenarios that fly around. I will continue to provide factual information to the AAC, the Boards and to our residents in a timely fashion.