

**RIVERWALK IMPROVEMENT DISTRICT
CITY OF ROCK HILL, SOUTH CAROLINA**

**Appendix A
to Assessment Roll**

Rate and Method of Apportionment of Assessment

A. INTRODUCTION

The City of Rock Hill has authorized the funding of public improvements for the benefit of the Assessed Property (as defined below) by its passing of the Improvement Plan for the Riverwalk Municipal Improvement District. Bonds are to be issued to fund the public improvements. Assessments (as defined below) are being levied for the repayment of the Bonds (as defined below). The Assessments are shown in the Assessment Roll, to which this Appendix A is attached. This document includes the terms and provisions for the collection of the Assessments for the purposes of repaying the Bonds and paying Administrative Expenses.

The Assessments shall be imposed upon and collected annually from real property within the Riverwalk Improvement District of the City of Rock Hill through the application of the procedures described below. The Assessments shall be effective upon the initial issuance of the Bonds. The City of Rock Hill or its designee shall make all determinations in this Rate and Method of Apportionment of Assessment unless stated otherwise.

The Assessments are being accounted for in three parts: the Assessment Part A, Assessment Part B and Assessment Part C, as defined below. These separate parts of the Assessments are an accounting convention utilized to account for the portion of the Assessments applied to repay different series of Bonds.

B. DEFINITIONS

The terms used herein shall have the following meanings:

“Adjusted Annual Assessment Part B” shall mean the adjusted annual assessment for Assessment Part B calculated pursuant to Section D.2. below.

“Administrative Expenses” means the following actual or budgeted costs, as applicable, directly related to the administration of the Improvement District: the costs of computing the Annual Payments; the costs of collecting the Annual Payments (whether by the City or otherwise); the costs of remitting the Annual Payments to the Trustee; the costs of the Administrator and Trustee (including legal counsel) in the discharge of their duties related to the Bonds and the Improvement District; the costs of the City of complying with arbitrage rebate requirements; the costs of the City of complying with securities disclosure requirements; and any other costs of the City in any way related to the administration and operation of the Improvement District, including, without limitation, the costs of legal counsel and other consultants and

advisors, and costs related to commencing foreclosure and pursuing collection of delinquent Annual Payments, including contingencies and reserves for Administrative Expense as deemed appropriate by the City Council. Administrative Expenses shall be allocated between Assessment Part A, Assessment Part B and Assessment Part C as reasonably determined by the Administrator.

“Administrator” means the designee of the City who shall have the responsibilities set forth herein for the Administrator and such other duties and responsibilities as provided for by the City.

“Annual Assessment” means either or all of the Annual Assessment Part A, the Annual Assessment Part B, and the Annual Assessment Part C.

“Annual Assessment Part A” means the scheduled portion of the Assessment Part A as set forth in Appendix B-1 and B-2 due and payable each Assessment Year for all Parcels in the District. The Annual Assessment Part A shown on Appendix B-1 and Appendix B-2 for each Assessment Year may be revised to reflect the payments due on the Bonds and Administrative Expenses as long as the total of the Assessment Part A is not exceeded.

“Annual Assessment Part B” means the scheduled portion of the Assessment Part B as set forth in Appendix B-1 and B-2 due and payable each Assessment Year for all Parcels in the District. The Annual Assessment Part B shown on Appendix B-1 and Appendix B-2 for each Assessment Year may be revised to reflect the payments due on the Bonds and Administrative Expenses as long as the total of the Assessment Part B is not exceeded.

“Annual Assessment Part C” means the scheduled portion of the Assessment Part C as set forth in Appendix B-1 and B-2 due and payable each Assessment Year for all Parcels in the District. The Annual Assessment Part C shown on Appendix B-1 and Appendix B-2 for each Assessment Year may be revised to reflect the payments due on the Bonds and Administrative Expenses as long as the total of the Assessment Part C is not exceeded.

“Annual Parcel Assessment” means either or all of the Annual Parcel Assessment Part A, the Annual Parcel Assessment Part B, and the Annual Parcel Assessment Part C.

“Annual Parcel Assessment Part A” means the Annual Assessment Part A as allocated to each Parcel, which shall be allocated to each Parcel of Assessed Property in proportion to the Assessment Part A for each Parcel as set forth in Section C hereof.

“Annual Parcel Assessment Part B” means the Annual Assessment Part B as allocated to each Parcel, which shall be allocated to each Parcel of Assessed Property in proportion to the Assessment Part B for each Parcel as set forth in Section C hereof.

“Annual Parcel Assessment Part C” means the Annual Assessment Part C as allocated to each Parcel, which shall be allocated to each Parcel of Assessed Property in proportion to the Assessment Part C for each Parcel as set forth in Section C hereof.

“Annual Part B Credit” means, for each Parcel for each Assessment Year, the Tax Increment Revenues expected to be available in the calculation of the Annual Revenue Requirement Part B for the Assessment Year for which the calculation is being made allocable to that Parcel; provided, however, that the Annual Part B Credit for a Parcel in any Assessment Year shall not exceed the Annual Assessment Part B for the Parcel in such Assessment Year. For purposes of calculating the Tax Increment Revenue for each Parcel, the base year tax revenues shall be allocated to each Parcel on the basis of the total of the tax revenues from which the Tax Increment Revenues are calculated. For example, the base year real property tax revenues would be allocated to each Parcel in proportion to the total real property tax revenues of the Parcel divided by the total real property taxes of all parcels in the Improvement District (using the total real property tax revenues from which the Tax Increment Revenues are calculated).

“Annual Payment” means either or all the Annual Payment Part A, the Annual Payment Part B and the Annual Payment Part C. The full amount of the Annual Parcel Assessment may not be required to be collected from each Parcel as a result of adjustments in the Annual Revenue Requirement. As a result, the Annual Payment may be less than, but may not be greater than the Annual Parcel Assessment.

“Annual Payment Part A” means, for each Parcel, the portion of the Annual Payment Part A to be collected each Assessment Year calculated as provided for in Section D.

“Annual Payment Part B” means, for each Parcel, the portion of the Annual Payment Part B to be collected each Assessment Year calculated as provided for in Section D.

“Annual Payment Part C” means, for each Parcel, the portion of the Annual Payment Part C to be collected each Assessment Year calculated as provided for in Section D.

“Annual Payment Rate Part A” means, \$850 per Equivalent Unit for the 2009-2010 Assessment Year, and for each subsequent Assessment Year, an amount equal to 102% of the Annual Payment Rate Part A in effect for the previous Assessment Year, or such other rate determined by the City to be sufficient to repay the Series A Bonds over the scheduled term of such Bonds. The Annual Payment Rate Part A may not exceed the Assessment Part A for a Parcel (that is, once the Assessment Part A has been fully repaid for a Parcel, the Annual Payment Rate Part A for such Parcel shall be zero).

“Annual Payment Rate Part C” means an amount per Equivalent Unit calculated as the amount required to meet the Annual Revenue Requirement Part C once all of the Series C Bonds have been issued if paid by all of the Assessed Property subject to the Assessment Part C. The Annual Payment Rate Part C may not exceed the Assessment Part C for a Parcel (that is, once the Assessment Part C has been fully repaid for a Parcel, the Annual Payment Rate Part C for such Parcel shall be zero).

“Annual Revenue Requirement” means either or all the Annual Revenue Requirement Part A, the Annual Revenue Requirement Part B, and the Annual Revenue Requirement Part C.

“Annual Revenue Requirement Part A” means, for any Assessment Year, the sum of the following: (1) Debt Service Expenses Part A and (2) Administrative Expenses; less Other Available Funds Part A.

“Annual Revenue Requirement Part B” means, for any Assessment Year, the sum of the following: (1) Debt Service Expenses Part B and (2) Administrative Expenses; less (a) Tax Increment Revenues and (b) Other Available Funds Part B.

“Annual Revenue Requirement Part C” means, for any Assessment Year, the sum of the following: (1) Debt Service Expenses Part C and (2) Administrative Expenses; less Other Available Funds Part C.

“Assessed Property” means, for any Assessment Year, Parcels within the Improvement District other than Non-Benefited Property.

“Assessment” means either or all of Assessment Part A, Assessment Part B, and Assessment Part C.

“Assessment Part A” means the Assessment Part A as shown on Assessment Roll, as it may be reapportioned, reduced, or terminated pursuant to the provisions herein. The total of the Assessment Part A for all of the Parcels equals the principal amount of the Series A Bonds to be issued, interest payable on the Series A Bonds for each year, and the Administrative Expenses, less any reduction pursuant to Section C.3. The Assessment Part A is payable by each Parcel as the Annual Parcel Assessment Part A as set forth herein and may be or required to be prepaid as set forth in Section I.

“Assessment Part B” means the Assessment Part B as shown on Assessment Roll, as it may be reapportioned, reduced, or terminated pursuant to the provisions herein. The total of the Assessment Part B for all of the Parcels equals the principal amount of the Series B Bonds to be issued, interest payable on the Series B Bonds for each year, and the Administrative Expenses, less any reduction pursuant to Section C.3. The Assessment Part B is payable by each Parcel as the Annual Parcel Assessment Part B as set forth herein and may be or required to be prepaid as set forth in Section I.

“Assessment Part C” means the Assessment Part C as shown on Assessment Roll, as it may be reapportioned, reduced, or terminated pursuant to the provisions herein. The total of the Assessment Part C for all of the Parcels equals the principal amount of the Series C Bonds to be issued, interest payable on the Series C Bonds for each year, and the Administrative Expenses, less any reduction pursuant to Section C.3. The Assessment Part C is payable by each Parcel as the Annual Parcel Assessment Part C as set forth herein and may be or required to be prepaid as set forth in Section I.

“Assessment Ordinance” means the ordinance of the City Council correcting or confirming the Assessment Roll, as it may be amended, modified, or supplemented from time to time.

“Assessment Roll” means the Assessment Roll to which this Rate and Method of Apportionment of Assessment is attached as Appendix A, as corrected or confirmed by the Assessment Ordinance, including Appendix B-1 and B-2 attached hereto, as these appendices are updated from time to time by the City in accordance with the procedures set forth herein.

“Assessment Year” means the annual cycle in which the Annual Assessments and Annual Payments are determined each year for each Parcel, the Annual Payments are collected, and these revenues applied to the payments on the Bonds.

“Bond Indenture” means the indentures or similar documents setting forth the terms and other provisions relating to the Bonds, as modified, amended and/or supplemented from time to time.

“Bond Ordinance” means the ordinance or similar document setting forth the terms and other provisions relating to the Bonds, as modified, amended and/or supplemented from time to time.

“Bonds” means either or all of the Series A Bonds, the Series B Bonds, and the Series C Bonds.

“Class 1 Property” means Assessed Property that is or is intended to be developed as detached single family dwelling units, including ancillary uses thereto.

“Class 2 Property” means Assessed Property that is or is intended to be developed as attached residential units, including but not limited to, townhomes, flats, lofts, and other similar structures used primarily for residential purposes excluding Class 1 Property and Class 3 Property, including any ancillary uses thereto.

“Class 3 Property” means Assessed Property that is or is intended to be developed as multifamily rental units under common management (e.g., apartments), including any ancillary uses thereto.

“Class 4 Property” means Assessed Property that is primary used or intended for use as a hotel, including any ancillary uses thereto.

“Class 5 Property” means Assessed Property that is primary used or intended for use as office space, including any ancillary uses thereto.

“Class 6 Property” means Assessed Property that is primary used or intended for use as retail, including any ancillary uses thereto.

“Class 7 Property” means Assessed Property that is primary used or intended for use as industrial, distribution, manufacturing, or any combination thereof, including any ancillary uses thereto

“City” means City of Rock Hill, South Carolina.

“City Council” means the City Council of the City.

“Debt Service Expenses Part A” means regularly scheduled debt service on the Series A Bonds and periodic costs associated with such Series A Bonds, including but not limited to rebate payments and credit enhancement on the Series A Bonds, for an Assessment Year.

“Debt Service Expenses Part B” means regularly scheduled debt service on the Series B Bonds and periodic costs associated with such Series B Bonds, including but not limited to rebate payments and credit enhancement on the Series B Bonds, for an Assessment Year.

“Debt Service Expenses Part C” means regularly scheduled debt service on the Series C Bonds and periodic costs associated with such Series C Bonds, including but not limited to rebate payments and credit enhancement on the Series C Bonds, for an Assessment Year

“Date of Classification” means January 1 of each year or such other date determined by the City on which property is classified for purposes of updating the Assessment Roll and determining the Annual Payment to be collected from each Parcel.

“Developed Property” means, for Assessment Part A, Assessed Property within an Improvement Area Part A, and for the Assessment Part C, Assessed Property within an Improvement Area Part C.

“District Improvements” means those certain improvements that the City has been authorized to provide for the benefit of the Improvement District.

“Equivalent Units” means, for Class 1 Property, Class 2 Property, and Class 3 Property, the number of units built or expected to be built on the Parcel, for Class 4 Property, the number of rooms built or expected to be built on the Parcel, and for Class 5 Property, Class 6 Property and Class 7 Property, each 1,000 square feet of usable property built or expected to be built on the Parcel, multiplied by the following factors:

<i>Class</i>	<i>Assessment Part A Equivalent Unit</i>	<i>Assessment Part B Equivalent Unit</i>	<i>Assessment Part C Equivalent Unit</i>
1	1.00 per unit	1.00 per unit	1.00 per unit
2	0.62 per unit	0.62 per unit	0.62 per unit
3	0.39 per unit	0.39 per unit	0.39 per unit
4	0.33 per room	0.33 per room	0.33 per room
5	0.64 per 1,000 square feet	0.64 per 1,000 square feet	0.64 per 1,000 square feet
6	0.60 per 1,000 square feet	0.60 per 1,000 square feet	0.60 per 1,000 square feet
7	0.00 per 1,000 square feet	0.29 per 1,000 square feet	0.29 per 1,000 square feet

The computation of the Equivalent Units as to a Parcel shall be calculated by the Administrator and confirmed by the City, based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive as long as there is a reasonable basis for such determination. The amount of development to be built on a Parcel may be estimated by net land area and reasonable density ratios. Class of property shall be determined by the description that is most similar to the Parcels being classified.

“Improvement Area Part A” means an area identified in conjunction with the issuance of Series A Bonds as the property primarily improved with the proceeds of those Bonds.

“Improvement Area Part C” means an area identified in conjunction with the issuance of Series C Bonds as the property primarily improved with the proceeds of those Bonds.

“Improvement District” means the Riverwalk Municipal Improvement District of the City.

“Mandatory Assessment Prepayment” shall mean a mandatory prepayment of Assessments pursuant to Section I.2.

“MID Act” means Title 5, Chapter 37 of the Code of Laws of South Carolina 1976, as amended and in effect from time to time.

“Maximum Annual Parcel Assessment” means either any or all of the Maximum Annual Parcel Assessment Part A, Maximum Annual Parcel Assessment Part B, and Maximum Annual Parcel Assessment Part C.

“Maximum Annual Parcel Assessment Part A” means an Annual Payment Rate Part A per Equivalent Unit of \$1,000 for the 2009-2010 Assessment Year and 102% of such amount for each subsequent Assessment Year.

“Maximum Annual Parcel Assessment Part B” means the maximum allowable Annual Parcel Assessment Part B per equivalent unit provided for in a Trust Indenture or other agreement relating to the Series B Bonds.

“Maximum Annual Parcel Assessment Part C” means the maximum allowable Annual Parcel Assessment Part C per equivalent unit provided for in a Trust Indenture or other agreement relating to the Series C Bonds.

“Non-Benefited Property” means Parcels within the boundaries of the Improvement District owned by or irrevocably offered for dedication to the federal government, the State of South Carolina, the City or any instrumentality of any of the forgoing, or any other public agency or easements that create an exclusive use for a public utility provider, or Owner Association Property.

“Other Available Funds Part A” means any other funds available pursuant to the Bond Indenture to apply to the Annual Revenue Requirement Part A for an Assessment Year, such as

capitalized interest and interest earnings on any account balances, plus any other funds available to the Improvement District that may be applied to the Annual Revenue Requirement Part A, less any contingencies for the Annual Revenue Requirement Part A.

“Other Available Funds Part B” means any other funds available pursuant to the Bond Indenture to apply to the Annual Revenue Requirement Part B for an Assessment Year, such as capitalized interest and interest earnings on any account balances, plus any other funds available to the Improvement District that may be applied to the Annual Revenue Requirement Part B, less any contingencies for the Annual Revenue Requirement Part B.

“Other Available Funds Part C” means any other funds available pursuant to the Bond Indenture to apply to the Annual Revenue Requirement Part C for an Assessment Year, such as capitalized interest and interest earnings on any account balances, plus any other funds available to the Improvement District that may be applied to the Annual Revenue Requirement Part C, less any contingencies for the Annual Revenue Requirement Part C.

“Owner Association Property” means Parcels within the boundaries of the Improvement District owned by or irrevocably offered for dedication to a property owners’ association (if not used in a trade or business) and available for use by property owners in general.

“Parcel” means parcels within the Improvement District identified with a tax map identification number assigned for real property tax collection purposes or any other form of legal identification approved by the City for purpose of imposing and collecting Assessments.

“Principal Portion of the Assessment” means either or all of the Principal Portion of Assessment Part A, the Principal Portion of Assessment Part B, and the Principal Portion of the Assessment Part C. The Principal Portion of the Assessment is equal to the principal amount of the Bonds to be issued.

“Principal Portion of the Assessment Part A” means, for each Parcel, the Principal Portion of the Assessment Part A as shown on Appendix B-1 hereto as Appendix B-1 may be updated from time to time as provided for herein. The Principal Portion of Assessment Part A may be increased for refunding bonds or other reasons as long as the total of the Assessment Part A for each Parcel is not increased. The Principal Portion of the Assessment Part A shall be allocated to each Parcel of Assessed Property in proportion to the Assessment Part A for each Parcel as set forth in Section C hereof.

“Principal Portion of the Assessment Part B” means, for each Parcel, the Principal Portion of the Assessment Part B as shown on Appendix B-1 hereto as Appendix B-1 may be updated from time to time as provided for herein. The Principal Portion of Assessment Part B may be increased for refunding bonds or other reasons as long as the total of the Assessment Part B for each Parcel is not increased. The Principal Portion of the Assessment Part B shall be allocated to each Parcel of Assessed Property in proportion to the Assessment Part B for each Parcel as set forth in Section C hereof.

“Principal Portion of the Assessment Part C” means, for each Parcel, the Principal Portion of the Assessment Part C as shown on Appendix B-1 hereto as Appendix B-1 may be updated from time to time as provided for herein. The Principal Portion of Assessment Part C may be increased for refunding bonds or other reasons as long as the total of the Assessment Part C for each Parcel is not increased. The Principal Portion of the Assessment Part C shall be allocated to each Parcel of Assessed Property in proportion to the Assessment Part C for each Parcel as set forth in Section C hereof.

“Series A Bonds” means any bonds issued or other debt incurred by the City pursuant to the MID Act and secured by the Assessment Part A, including any bonds issued to refund such bonds.

“Series B Bonds” means any bonds issued or other debt incurred by the City pursuant to the TIF Act and secured by the Tax Increment Revenues and the Assessment Part B, including any bonds issued to refund such bonds.

“Series C Bonds” means any bonds issued or other debt incurred by the City pursuant to the MID Act and secured by the Assessment Part C, including any bonds issued to refund such bonds.

“Tax Increment Revenues” means all of the incremental real property tax revenues pursuant to the TIF Act and attributable to real property located in the Improvement District available to be applied to the repayment of the Series B Bonds pursuant to the Bond Indenture for an Assessment Year.

“TIF Act” means Title 31, Chapter 6 of the Code of Laws of South Carolina 1976, as amended and in effect from time to time.

“Trustee” means the trustee as specified in the Bond Ordinance, including any successor trustee.

“Undeveloped Property” means Assessed Property not classified as Developed Property .

C. THE ASSESSMENT

1. The Amount of the Assessment

The Assessment for each Parcel within the Improvement District is shown on the Assessment Roll and Appendix B-1 attached hereto. The Assessment for each Parcel shall not be changed hereafter except pursuant to the provisions provided for herein and in the Assessment Roll. The Assessment for each Parcel shall not be otherwise reduced after the issuance of Bonds except as provided below. The City may reallocate the Assessments between Assessment Part A, Assessment Part B, and Assessment Part C to reflect the actual or proposed issuance of Bonds as long as the reallocation does not cause the Maximum Annual Parcel Assessment Part A, the Maximum Annual Parcel Assessment Part B, or the Maximum Annual Parcel Assessment Part C to be exceeded.

2. Reallocation of the Assessment

a. Request by Owner

The City may, upon complying with the provisions of any applicable law, reallocate the Assessment on some or all of the Parcels upon the unanimous request of the owners of the Parcels for which the Assessment is to be reallocated if there has been a change in the estimate of the Equivalent Units applicable to one of the Parcels. The reallocation shall be made pursuant to the most current estimate of the Equivalent Units of each Parcel as a percent of the total of the Equivalent Units for the all of the Parcels for which the Assessment is to be reallocated, with the Assessment Part A, Assessment Part B and the Assessment Part C being calculated separately. In all cases, the sum of the Assessment Part A, Assessment Part B and Assessment Part C after the reallocation of the Assessments pursuant to this section shall equal the total Assessment Part A, Assessment Part B and Assessment Part C, respectively, before the reallocation of Assessment.

b. Subdivision of a Parcel

Upon the subdivision of any Parcel, the Assessment for the Parcel prior to the subdivision shall be allocated to each new Parcel in proportion to the Equivalent Units of each Parcel and the Assessment for the undivided Parcel prior to the subdivision. The allocation of the Assessment shall be made pursuant to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment of the new Parcel
- B = the Assessment of the undivided Parcel prior to the subdivision
- C = the Equivalent Units of the new Parcel
- D = the sum of the Equivalent Units for all of the new Parcels that result from the subdivision

The Assessment Part A, Assessment Part B and Assessment Part C shall be calculated separately for purposes of reallocating the Assessments. In all cases, the sum of the Assessment Part A, Assessment Part B and Assessment Part C after the subdivision of a Parcel shall equal the total of the Assessment Part A, Assessment Part B, and Assessment Part C, respectively, before the subdivision of the Parcel.

c. Consolidation of a Parcel

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessment for the Parcels prior to consolidation.

The Assessment Part A, Assessment Part B and Assessment Part C shall be calculated separately for purposes of reallocating the Assessments. In all cases, the sum of the Assessment Part A, Assessment Part B and Assessment Part C after the consolidation of two or more Parcels shall

equal the total of the Assessment Part A, Assessment Part B, and Assessment Part C, respectively, before the consolidation of the Parcels.

3. Reduction in the Assessment

a. Reduction in Costs

If there are excess Bond proceeds to be applied to redeem Bonds or if the costs to be incurred to be paid by the Assessments are reduced, such that the Assessments exceed the requirements to be paid by the Assessments, as determined by the City, the Assessment for each Parcel of Assessed Property shall be reduced such that the Assessment for all Parcels equals the principal and interest coming due on the Bonds issued and to be issued to maturity plus Administrative Expenses. The reduction to each Parcel shall be as follows: (i) In the event the District Improvements have been completed, the reduction of the Assessment shall be applied in equal percentage to each Parcel; (ii) in the event the District Improvements have not been completed, the reduction of the Assessment shall be applied pro rata according to the improvements made to each Parcel pursuant to the expenditures of funds under the Bond Ordinance, taking into consideration the benefit basis of the allocation of Assessment in the Assessment Roll. The City may, upon compliance with any applicable law, reduce the Assessment for each Parcel in another manner under this section if the City determines another method would be more equitable.

The reduction in Assessments would apply to Assessment Part A, Assessment Part B and Assessment Part C respectively according to which Bonds were called, pursuant to the Bond Indentures.

The Assessment for all Parcels as reduced according to the provisions of this section shall not be reduced to an amount that is less than the outstanding principal and interest on the Bonds to maturity (excluding Bonds defeased but not redeemed) and Administrative Expenses.

The Principal Portion of the Assessment for each Parcel shall be reduced for any reduction in the Assessment for that Parcel that results in a reduction in the principal portion of any Bonds issued or to be issued.

b. Payment of Bonds

The Assessment for any Parcel shall be reduced each Assessment Year for the Annual Payment collected from such Parcel and for the reductions in costs that results from any Mandatory Assessment Prepayment required for the Parcel. The Principal Portion of the Assessment for a Parcel shall be reduced for the portion of the Annual Payment collected from such Parcel that represents repayment of principal on the Bonds. The Principal Portion of the Assessment for a Parcel shall be reduced for any Mandatory Assessment Prepayment collected from the Parcel that results in a reduction in the principal portion of any Bonds issued or to be issued. The reduction in the Assessment Part A, Assessment Part B, and Assessment Part C, shall be calculated separately. The reduction in the Principal Portion of the Assessment Part A, Principal Portion of the Assessment Part B, and Principal Portion of the Assessment Part C shall be calculated separately.

D. METHOD OF DETERMINING THE ANNUAL PAYMENT

Commencing with the Annual Payment to be collected in the 2010-2011 Assessment Year and for each following Assessment Year through the termination of the collection of the Assessments, the Administrator shall calculate and the City shall confirm the Annual Payment for each Parcel calculated each Assessment Year.

The Annual Payments as calculated shall be collected from each Parcel of Assessed Property as provided in Section E.

1. Annual Payment Part A

a. Developed Property

The Annual Payment Part A for each Parcel of Developed Property for which the Assessment Part A has not been prepaid shall be equal to the lesser of (i) the Annual Parcel Assessment Part A for such Parcel for the Assessment Year, and (ii) the amount calculated by the following formula:

$$A = B \times C$$

Where the terms have the following meaning:

- A = the Annual Payment Part A for a Parcel of Developed Property
- B = the number of Equivalent Units of the Parcel
- C = the Annual Payment Rate Part A for the Assessment Year for which the calculation is being made.

The Annual Payment Part A for any Parcel for which the Assessment Part A has been prepaid in full or part shall be reduced by the percentage by which the Assessment Part A has been prepaid.

b. Undeveloped Property

The Annual Payment Part A for each Parcel of Undeveloped Property for which the Assessment Part A has not been prepaid shall be equal to the lesser of (i) the Annual Parcel Assessment Part A for such Parcel for the Assessment Year, and (ii) the amount calculated by the following formula:

$$A = [(B - C) \div D] \times E$$

Where the terms have the following meaning:

- A = the Annual Payment Part A for a Parcel of Undeveloped Property
- B = the Annual Revenue Requirement Part A for the Assessment Year

- C = the Annual Payment Part A to be collected from all Parcels of Developed Property
- D = the number of Equivalent Units for all Parcels of Undeveloped Property
- E = the number of Equivalent Units of the Parcel

2. Annual Payment Part B

The Annual Payment Part B for each Parcel shall be equal to the lesser of (but not less than zero) (i) the Annual Parcel Assessment Part B for such Parcel for the Assessment Year, and (ii) the amount calculated by the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meaning:

- A = the Annual Payment Part B Parcel for a Parcel
- B = the Annual Revenue Requirement Part B for the Assessment Year for which the Annual Payment is being calculated
- C = the Adjusted Annual Assessment Part B for the Parcel
- D = the Adjusted Annual Assessment Part B for all Parcels

The Adjusted Annual Assessment Part B for a Parcel shall equal the Annual Parcel Assessment Part B less the Annual Part B Credit for the Parcel.

3. Annual Payment Part C

a. Developed Property

The Annual Payment Part C for each Parcel of Developed Property for which the Assessment Part C has not been prepaid shall be equal to the lesser of (i) the Annual Parcel Assessment Part C for such Parcel for the Assessment Year, and (ii) the amount calculated by the following formula:

$$A = B \times C$$

Where the terms have the following meaning:

- A = the Annual Payment Part C for a Parcel of Developed Property
- B = the number of Equivalent Units of the Parcel
- C = the Annual Payment Rate Part C for the Assessment Year for which the calculation is being made.

The Annual Payment Part C for any Parcel for which the Assessment Part C has been prepaid in full or part shall be reduced by the percentage by which the Assessment Part C has been prepaid.

b. Undeveloped Property

The Annual Payment Part C for each Parcel of Undeveloped Property for which the Assessment Part C has not been prepaid shall be equal to the lesser of (i) the Annual Parcel Assessment Part C for such Parcel for the Assessment Year, and (ii) the amount calculated by the following formula:

$$A = [(B - C) \div D] \times E$$

Where the terms have the following meaning:

- A = the Annual Payment Part C for a Parcel of Undeveloped Property
- B = the Annual Revenue Requirement Part C for the Assessment Year
- C = the Annual Payment Part C to be collected from all Parcels of Developed Property
- D = the number of Equivalent Units for all Parcels of Undeveloped Property
- E = the number of Equivalent Units of the Parcel

E. MANNER OF COLLECTION OF ANNUAL PARCEL ASSESSMENT

Annual Payments shall be collected in the same manner as regular ad valorem property taxes or in any manner permitted by law as determined by the City in an amount that does not exceed the Annual Payment for each Parcel.

F. UPDATING THE ASSESSMENT ROLL

In order to facilitate the collection of the Assessment, the City shall update Appendix B-1 and B-2 of Assessment Roll each Assessment Year to reflect (i) the current Parcels in the Improvement District, (ii) the Assessment for each Parcel, including any adjustments to the Assessment as provided for in Section C, (iii) the Principal Portion of the Assessment for each Parcel; (iv) the Annual Assessment and the Annual Parcel Assessment for each Parcel, (v) the Annual Payment to be collected from each Parcel for the current Assessment Year, (vi) any changes in the Annual Assessments (without increasing the total of the Annual Assessments as shown in Appendix B-1), (vii) prepayments of the Assessment as provided for herein, and (ix) termination of the Assessment as provided for herein. All information shall be updated for the Assessment Part A, the Assessment Part B and the Assessment Part C.

G. ADMINISTRATIVE REVIEW

An owner of a lot claiming that a calculation error has been made in the update of Appendix B-1 and B-2 in any Assessment Year, including the calculation of the Annual Payment, shall send a written notice describing the error to the Administrator (or such other person or entity as may be designated by the City to hear such claims) not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator (or such other person or entity as may be designated by the City) shall promptly review the notice, and if necessary, meet with the property owner, consider written and oral

evidence regarding the alleged error and report to the City whether, in fact, such a calculation error occurred.

If the City determines that a calculation error has been made that requires Appendix B-1 or B-2 (including the Annual Payment for a Parcel) to be modified or changed in favor of property owners, a cash refund shall not be made for any amount previously paid by owners (except for the final Assessment Year during which the Annual Parcel Assessment shall be collected or if the Administrator determines there are otherwise sufficient funds available to meet the Annual Revenue Requirement for an Assessment Year), but an adjustment shall be made in the amount of the Annual Parcel Assessment to be paid in the following Assessment Year. The decision of the City regarding a calculation error relating to the Assessment Roll shall be conclusive as long as there is a reasonable basis for the determination.

H. TERMINATION OF THE COLLECTION OF ASSESSMENTS

Except for any delinquent Annual Parcel Assessments and related penalties and interest, the Assessment on each Parcel may not be collected after the earlier of (a) the stated term of the Bonds and (b) the date on which such Assessment is prepaid or paid in full as provided for herein.

I. PREPAYMENT OF ASSESSMENT

1. Voluntary Prepayment of Assessment

The Assessment on any Parcel may be prepaid in full at any time, the Assessment for such Parcel may be reduced to zero, and the obligation to pay the Annual Parcel Assessments for such Parcel may be permanently satisfied, by payment of an amount calculated according to the following provisions:

- a. A sum equal to the Principal Portion of the Assessment for the Parcel less the reduction that will occur in the Principal Portion of the Assessments from the Annual Payment collected or to be collected in that Assessment Year and not yet applied to the Principal Portion of the Assessment; less,
- b. If the prepayment will result in a redemption of the Bonds under the Bond Ordinance, the amount, if any, by which any debt service or other reserve fund under the Bond Ordinance will be reduced as a result of such redemption; plus,
- c. The Annual Payment for such Parcel for the Assessment Year in which such prepayment occurs, if not previously paid, plus appropriate adjustments as determined by the Administrator for the amount needed to pay interest on the outstanding Bonds to be redeemed to and including the redemption date less the investment earnings on the prepayment amount until the applicable Bonds can be called and redeemed, after taking into consideration the Annual Payment previously paid; plus,
- d. Expenses related to the prepayment of the Assessment allocable to such Parcel.

Upon payment of the amount calculated above to the City, the City shall forward such amount less expenses related to the prepayment of the Assessment to the Trustee. Upon the payment of such amounts to the City, the obligation to pay the Assessment for the Parcel shall be deemed to be permanently satisfied, the Assessment with respect to the Parcel shall be reduced to zero, the Annual Parcel Assessment for such Parcel shall not be collected thereafter, and the City shall promptly provide to each owner of a Parcel for which the Assessment has been prepaid a recordable document (or provide for the recordation of such document) evidencing the termination of the imposition and collection of the Assessment.

The Assessment on any Parcel may also be prepaid in part, at any time, upon receipt by or for the account of the City of an amount sufficient (in the sole discretion of the Administrator) to permit the redemption of the Bonds (for payments of all or a portion of the Assessment) pursuant to the Bond Indenture, in such amounts determined by the Administrator, in its sole discretion. The amount of any partial prepayment shall be computed by multiplying the Assessment prepayment amount calculated in the first paragraph of this section by the percent of the Assessment to be prepaid. The Assessment and the Annual Assessment shall not be reduced to zero but shall be reduced by the percent actually prepaid for the applicable Assessment.

2. Mandatory Prepayment of Assessment

a. Non-Benefited Property

A Mandatory Assessment Prepayment shall be required on any Parcel that is acquired by a person or entity that results in the Parcel being classified as Non-Benefited Property, if the Assessment may not be reapportioned to a Parcel of Assessed Property as provided for herein. In the event an entire Parcel becomes Non-Benefited Property such that the Assessment, or part of the Assessment, cannot be reallocated to any Parcel of Assessed Property pursuant to the provisions herein, the Assessment shall become immediately due and payable in an amount calculated as a prepayment of the Assessment and shall be collected from proceeds of a sale, condemnation, or other form of compensation for the property or from any other legally available source of funds.

b. Maximum Annual Parcel Assessment

A Mandatory Assessment Prepayment shall be required upon any event that would result in the Annual Parcel Assessment for a Parcel in any Assessment Year exceeding the Maximum Annual Parcel Assessment for that Assessment Year, including but not limited to a reduction in the estimated Equivalent Units for a particular Parcel. The Mandatory Assessment Prepayment shall be due from the Parcel (or any resultant Parcels) that results in the application of the provisions of this section.

The Mandatory Assessment Prepayment shall be calculated separately for Assessment Part A, Assessment Part B, and Assessment Part C.

The Mandatory Assessment Prepayment shall be calculated as set forth in Section I.1., with the Principal Portion of the Assessment being prepaid such that the Annual Parcel Assessment per Equivalent Unit does not exceed the Maximum Annual Parcel Assessment per Equivalent Unit.

c. General Provisions

The amounts calculated in the preceding formula shall be paid to the City and shall be used to pay and redeem, discharge, or defease the Bonds pursuant to the Bond Ordinance and to pay the Administrative Expenses associated with the Mandatory Assessment Prepayment.

The Mandatory Assessment Prepayment shall be due prior to the recordation, conveyance, or other action that results in a Mandatory Assessment Prepayment. In the event the Mandatory Assessment Prepayment is not paid prior to the change in any Parcel resulting in the Mandatory Assessment Prepayment, the total Mandatory Assessment Prepayment may be collected from any and all of the resulting Parcels of Assessed Property. The Mandatory Assessment Prepayment shall have the same sale and lien priorities as provided for Assessments generally.

Subsequent to the Mandatory Assessment Prepayment, the Assessment Roll shall be adjusted to account for the Mandatory Assessment Prepayment.

J. AMENDMENTS

Immaterial amendments may be made to this “Rate and Method of Apportionment of Assessment” by the City Council without further notice under the Act and without notice to owners of Parcels within the Improvement District. Immaterial amendments shall be those that (i) clarify or correct minor inconsistencies in the matters set forth herein, (ii) provide for lawful procedures for the collection and enforcement of the Assessment so as to assure its efficient collection, and (iii) do not impair the ability of the City to fulfill its obligations to impose and collect the Assessment and to make it available for the payment of the Bonds, Administrative Expenses, and other costs relating to the Improvement District.

K. INTERPRETATION OF PROVISIONS

The City Council shall make all interpretations and determinations related to the application of this “Rate and Method of Apportionment of Assessment,” unless stated otherwise herein or in the Bond Ordinance, and as long as there is a rational basis for the determination made by the City Council, such determination shall be conclusive.

L. SEVERABILITY

To the extent permitted by law, if any section or part of a section of this “Rate and Method of Apportionment of Assessment” is declared invalid or unenforceable, the validity, force, and effect of any other section or part of a section herein shall not thereby be affected or impaired unless such other section or part of a section herein is wholly or necessarily dependent upon the section or part of a section so held to be invalid or unenforceable.