

MOTION:

January 23, 2007
Regular Meeting
Res. No. 07-

SECOND:

RE: APPROVAL OF MEMORANDUM OF UNDERSTANDING WITH THE CHERRY HILL COMMUNITY DEVELOPMENT AUTHORITY, LEE CAROLINA, LLC AND KSI SERVICES, INC.- WOODBRIDGE MAGISTERIAL DISTRICT

ACTION:

WHEREAS, the Prince William Board Of County Supervisors authorized the creation of the Cherry Hill Community Development Authority ("CDA") by ordinance, enacted April 19, 2005 ("ordinance"); and

WHEREAS, the Prince William Board of County Supervisors approved a Memorandum Of Understanding ("MOU") among the Board, Lee Carolina, LLC ("Lee Carolina or landowner"), KSI Services, Inc, ("KSI or project manager"), and the CDA on January 17, 2006, pursuant to which both KSI and Lee Carolina had certain obligations towards the County; and

WHEREAS, Lee Carolina and KSI have asked that the MOU be modified to have Lee Carolina, as the current sole landowner, responsible for the financial requirements of the MOU while retaining KSI as a party to the agreement with certain project management obligations; and

WHEREAS, it appears in the public interest to approve the modified MOU in the form of the agreement attached hereto;

NOW, THEREFORE, BE IT RESOLVED, that the Prince William Board of County Supervisors does hereby approve the Memorandum Of Understanding in the form attached hereto and does further authorize the execution and delivery of the Memorandum Of Understanding by either the County Executive or the Chairman of the Board Of County Supervisors, who are authorized to execute and deliver the Memorandum Of Understanding to the CDA.

For Information:

County Attorney
Finance Director
Transportation Director
Planning Director

CERTIFIED COPY

Clerk to the Board

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING made as of this ____ day of _____, 2007, by and among the BOARD OF COUNTY SUPERVISORS OF THE COUNTY OF PRINCE WILLIAM, VIRGINIA (the "Board"); LEE CAROLINA, LLC, as the developer (the "Developer") and LEE CAROLINA, LLC, as the landowner (the "Landowner"); and KSI SERVICES, INC., as Project Manager for LEE CAROLINA, LLC, (the "Project Manager"); and the CHERRY HILL COMMUNITY DEVELOPMENT AUTHORITY (the "CDA").

WITNESSETH

WHEREAS, the Landowner has, pursuant to Sections 15.2-5152 et seq. of the Code of Virginia of 1950, as amended (the "Virginia Code"), by petition filed with the Board (the "Petition") petitioned the Board to create a community development authority ("CDA") to assist in the acquisition, design, construction, development and equipping of public improvements substantially as set forth in the Petition (the "Improvements") in conjunction with a mixed use development to be located in the Dumfries and Woodbridge Magisterial Districts in the area of Harbor Station Parkway, Cherry Hill Road and Congressional Way in the County of Prince William, Virginia (the "County"), said development known as "Harbor Station", and

WHEREAS, the Project Manager is the project manager for the Landowner with respect to Harbor Station, pursuant to that certain Development Management Agreement dated December 4, 2002 (the "Development Agreement"); and

WHEREAS, by Ordinance enacted April 19, 2005 (the "Ordinance"), the Board voted to create the CDA;

WHEREAS, the Board has adopted "Policy Guidelines for the Approval of the Creation of a Community Development Authority" (the "Policy Guidelines") which require, among other things, that the County and the Landowner enter into a memorandum of understanding setting forth, as a minimum, the following:

1. the business plan of the CDA;
2. the level, quality and type of public facilities and/or infrastructure to be included within the CDA;
3. protections for the benefit of the County for the repayment of debt;
4. protections for the benefit of individual lot owners within the CDA's boundaries with respect to foreclosure and other collection actions should their respective assessment not be paid; and
5. a commitment that the CDA will pay the County for the costs to levy and collect the special assessment and any other ongoing administrative costs of the County.

WHEREAS, the parties wish to set forth several understandings with respect to the CDA in this Memorandum, including:

(i) the submission of a financing plan by the CDA to the County Executive before the issuance of any CDA obligations (Policy Guideline #10); and

(ii) provisions confirming the protection to the County from actions or inactions of the CDA and confirming that the County has no financial liability (Policy Guideline #11);

NOW, THEREFORE, in consideration of the foregoing, the parties set forth the following understandings.

1. **Business Plans of the CDA.** The CDA proposes to issue bonds or notes in one or more series (collectively, the "Bonds") pursuant to Virginia Code Sections 15.2-5158(A)(2) and 15.2-5125 to be used to finance the acquisition, design, construction, development and equipping by or on behalf of the CDA of the Improvements in connection with the proposed development within the CDA district. The CDA expects to finance certain of the Improvements with a series of Bonds in the maximum aggregate principal amount of \$99,000,000 (the "Series A Bonds"). A portion of the Bonds consisting of a note in the maximum aggregate amount of \$16,000,000 (the "Note") will be issued to finance the Improvements consisting of improvements to Harbor Station Parkway from Wayside Drive to Cherry Hill Road (the "Note Improvements"). The Series A Bonds will be issued in an amount sufficient to pay all or a portion of the costs of the Improvements, together with capitalized interest for the Series A Bonds for a period not to exceed three years after completion of the Improvements financed with such series of Bonds, and the costs of issuing the Series A Bonds, including the costs of establishing any reserve fund required in connection with the issuance of the Series A Bonds. The Note will be issued in an amount sufficient to pay all or a portion of the costs of the Note Improvements, including costs of issuing the Note. The Series A Bonds (exclusive of the Note) will be secured only by Special Assessment A, as described in Exhibit A to this Memorandum. The Series A Bonds will not be used to finance the Note Improvements. The Note will be secured only by Special Assessment B, as described in Exhibit B to this Memorandum, and will be held by the Developer or an affiliate of the Developer. The portion of Special Assessment B applicable to any parcel shall be subject to mandatory prepayment by the Developer upon transfer of such parcel to an entity unrelated to the Developer. The Project Manager shall manage and oversee the construction of the improvements as agent of the Developer pursuant to the Development Agreement.

2. **Development of Project; Level, Quality and Type of Public Improvements.** The Improvements to be financed with proceeds of the Bonds consist of various public infrastructure improvements, including acquisition, construction, improvement and extension of certain roads and traffic improvements and a Virginia Railway Express Station, including access and parking, all substantially as described on Exhibit C attached hereto. The CDA or the Developer or its designee, on behalf of the CDA, will enter into contracts for the acquisition, design, construction, development and equipping of the Improvements. The County agrees that the Improvements consisting of improvements to the intersection of Route 1 and Route 234 may consist of an at-grade intersection or, if proffered in a REZ # # PLN 2006-000194,195, a grade-separated interchange, and Bond proceeds may be used for acquisition of right-of-way and

construction of at-grade or grade-separated improvements; provided that the County shall approve the design of such interchange and any substantive changes thereto. The parties agree that any additional costs for improvements above those paid for by the bonds as shown on Exhibit C, including additional funds needed for any proffered grade-separated improvements, will come from sources apart from the Bond proceeds.

3. Submission of Information. Before the issuance of the Bonds, the Developer or the CDA, as appropriate, will submit to the County's Director of Finance the Limited Offering Memorandum or other disclosure document to be used in connection with the sale of the Series A Bonds and such other information with respect to the CDA's finances and the issuance of the Bonds as the Director of Finance may reasonably request. Such documents will be furnished to the County solely for informational purposes and receipt of any such document does not constitute approval of any such document by the County.

4. Special Assessment.

(a) Request for Special Assessment -- Not later than February 1 of each year, commencing in 2008, the CDA will request the County to collect annual installments of Special Assessment A and Special Assessment B (collectively, the "Special Assessment") pursuant to Virginia Code Section 15.2-5158(A)(5) in an amount, if any, to be determined in accordance with the Rate and Method of Apportionment of Special Assessments A and B attached hereto as Exhibits A and B, respectively (collectively, the "Rate and Method"). The CDA agrees that, so long as the Bonds remain outstanding, each year it will request the Annual Installment (as defined in the applicable Rate and Method) to be collected by the County. In making the above request, the CDA will provide such information as the County may request to enable it to levy and collect the Annual Installment.

(b) Agreement with Respect to Assessment -- In accordance with Virginia Code Sections 15.2-5158(A)(5) and 15.2-2405, the parties hereto agree to the Special Assessment to be levied and apportioned in accordance with this Memorandum and the Rate and Method which is incorporated as though set forth fully herein. The Developer and the Landowner represent and agree that the Special Assessment, as apportioned pursuant to the Rate and Method, does not exceed the peculiar benefit to the Taxable Property, as defined in the Rate and Method, resulting from the Improvements and that such apportionment is supported by a rational basis.

(c) Billing and Collection of Annual Installments -- The County shall bill the Annual Installments in the same manner and at the same time as it bills its real estate taxes. The amount of the Annual Installment for each parcel will be recorded on the County tax rolls in the same manner as any other supplemental tax bill such that the public will have access to its existence and payment status on a parcel-by-parcel basis. Penalties and interest on delinquent payments of the Annual Installments shall be charged as provided by law. The Annual Installments shall be included on the County's regular real estate tax bill and shall be collected on the same dates as the County's real estate taxes. The Annual Installments shall be billed in halves, each half being due on July 15 and December 5 of each year, or on such other date or dates as the County may determine for the collection of its regular real estate taxes.

Payments of the Annual Installments collected by the County shall be segregated from all other funds of the County and may not be used for any other purpose by the County.

(d) Assignment -- The County pledges and assigns all of its right, title and interest in the Annual Installments to the CDA (except amounts that may be retained by the County to pay administrative costs as described below in paragraph 4(f)), subject to annual appropriation by the Board and the County agrees to pay such amounts to or at the direction of the CDA within 30 calendar days after receipt of such amounts. The County Executive or other officer responsible for preparing the County's budget shall include in the County's budget for each fiscal year an amount equal to the aggregate amount of Annual Installments, if any, to be collected for such fiscal year. Although it is the County's intention to make such payments to the CDA in each fiscal year, the County's obligations hereunder are subject to appropriation each year by the Board and do not constitute a general obligation of the County or a pledge of its full faith and credit. The CDA, in turn, will pledge and assign all of its right, title and interest in the Annual Installments to Manufacturers and Traders Trust Company, or its successor, (the "Trustee") as trustee for the Series A Bonds and escrow agent for the Note who will use the moneys received, except for amounts segregated for administrative expenses, to make debt service payments on the Series A Bonds or the Note, as appropriate, before forwarding any remainder to the CDA and the County agrees to make all such payments directly to the Trustee. The Annual Installments assigned by the County include any payments from foreclosures, less costs of collection, and exclude administrative fees for the cost of administration as described in paragraph 4(f) herein. The CDA has the right to retain a portion of the payments assigned by the County to pay the CDA's administrative expenses and such portion of the payments is not pledged or assigned to the Trustee.

(e) Collection of Delinquent Assessments -- The County's customary tax payment enforcement proceedings will apply to the collection of any delinquent payment of the Annual Installment. The County shall pursue the collection of delinquent payments with the same diligence it employs in the collection of the County's general *ad valorem* real estate taxes, including the commencement of tax foreclosure proceedings to the extent provided by the then-current statutes of the Commonwealth of Virginia. The County agrees that it will provide notice to the CDA of any legal proceedings to be instituted for the collection of delinquent payments of the Annual Installment. The parties understand and agree that the County's ordinary discretion in this regard allows it to decide not to expend resources to collect *de minimis* outstanding amounts; provided that the County will obtain the CDA's consent with respect to any such amounts in excess of \$200. The CDA agrees to cooperate with the County in any such enforcement action. The CDA acknowledges and agrees that no enforcement action or efforts to collect any delinquencies with respect to any parcel in the CDA will be undertaken against any other parcel.

(f) Administrative Costs -- If requested by the County, the CDA shall reimburse the County for its reasonable costs and expenses associated with the CDA, including the administration of the Assessment Lien and the billing and collection of the Annual Installment. Administrative expenses (not to exceed \$10,000 in the first year the Annual Installment is collected and \$2,500 in subsequent years) may be deducted by the County in its remittance to the CDA or the Trustee. To the extent the County's administrative expenses exceed the amount deducted by the County in its remittance to the CDA, the County

may require the CDA to include the amount of such excess as an Administrative Expense under the Rate and Method and pay such amount to the County. In addition to the administrative expenses, the County shall be entitled to recover any additional costs incurred by the County in conjunction with any and all proceedings to collect assessments, including tax foreclosure proceedings. Any request by the County for payment of expenses in excess of the amount to be deducted by the County as described above shall be accompanied by a written description of the amount and purpose of such additional costs.

(g) Notice to Subsequent Landowners – The Landowner agrees that it will include in each sale contract and each deed for the conveyance of a fee simple interest in any portion of land or any condominium unit within the CDA district that is subject to an outstanding Special Assessment a prominent disclosure statement that includes a statement that the property is subject to a separate special assessment because it is located within the Cherry Hill CDA, including the amount of the applicable portion of the Special Assessment and setting forth the name and address of the CDA's administrator as described in paragraph 5(d) or other location where information regarding the CDA and the Special Assessment may be obtained. All such sales contracts and deeds shall also include a covenant that all subsequent deeds conveying any fee simple interest in land within the CDA district that is subject to an outstanding Special Assessment include such disclosure statement. The Landowner agrees that it will notify the CDA's administrator of the sale of any property within the CDA, indicating the County Assessor's tax map parcel number and the purchaser of each parcel sold. The Landowner also agrees that it will create, and display at its sales trailer, a sales pamphlet that describes the benefits to subsequent landowners of the improvements funded through the CDA as well as the fact that the property being offered for sale may be subject to a Special Assessment and that the amount of the Special Assessment for any particular property unit can be provided upon request.

5. Additional Covenants; Protections for County.

(a) The Developer and the CDA agree that the Improvements financed with proceeds of the Bonds will be owned by the CDA or other appropriate public entity. The Developer and the CDA further agree that the County shall not be required to undertake ownership, operation or maintenance of any such Improvements unless the County agrees to such undertaking, except that the parties acknowledge that the County will own the fee under the public roads dedicated pursuant to standard subdivision approval pursuant to Va. Code Ann. § 15.2-2265 with the public roads being maintained by the Virginia Department of Transportation as part of its Secondary Road System pursuant to Va.Code Ann. § 33.1-67 et seq., as both sections are amended as of the time of dedication and petition for acceptance into the State Secondary System of Highways, respectively.

(b) The Developer and the CDA agree that no payments will be requested by the CDA from the County other than payments of the Annual Installment, as described herein.

(c) The Developer and the CDA agree to comply with the continuing disclosure requirements to the extent required by Securities and Exchange Commission Rule

15c2-12 and to furnish copies of all filings under such Rule to the County's Director of Finance within 15 days after filing.

(d) The CDA will engage a professional administrator to oversee its financial affairs and shall obtain an annual report of the CDA's finances from such administrator. Copies of such financial report and all other reports required by the Trustee and the owners of the Bonds shall be furnished to the County's Director of Finance as soon as they are available.

(e) The Developer and the CDA agree that the Improvements financed with proceeds of the Bonds will be built in accordance with all applicable zoning, environmental and other regulatory requirements and any Improvements that the County agrees to acquire will be built in compliance with all applicable specifications of the County.

(f) The CDA agrees that the Limited Offering Memorandum prepared in connection with the sale of the Series A Bonds will contain a prominent statement to the effect that the Series A Bonds are not obligations of the County, are payable solely from the Annual Installment and the County has no liability with respect to the Series A Bonds.

(g) The Developer, or its designee, shall submit to the County a copy of its appraisal of any property for which it may require the County's assistance in acquiring for the construction of the Improvements. The County agrees to review each appraisal and notify the Developer within fifteen (15) business days thereafter whether the County has approved the appraised fair market value of the property or whether the County needs further information. Once the County has approved the appraised fair market value of the property, the Developer or its designee is authorized to make a "bona fide offer" complying with Section 25.1-204 of the Code of Virginia on behalf of the County for the land or right-of-way necessary for the construction of the Improvements. Any such land or right-of-way may be initially acquired in the name of the Developer (or its designee) or the CDA to be subsequently conveyed to the County or other appropriate public entity. The County agrees that County staff will initiate the procedures set forth in Va. Code Ann. § 15.2-1905 (C) to bring any proposals to condemn property with the County's quick take authority before the Board of County Supervisors for its consideration. Although it is the County's intent to use eminent domain if necessary for completing these important public projects, the County reserves the right to exercise its discretion in considering whether to exercise its power of eminent domain to acquire all land or right-of-way necessary for the construction of the Improvements if the Developer, or its designee, is unable to arrange for a negotiated purchase of any such land or right-of-way. Any costs incurred by the County in connection with such exercise of eminent domain including, but not limited to reasonable staff time according to County hourly rates, expert's and attorney's fees, costs of title exams, costs of appraisals, costs of investigation and trial preparation, publication costs, filing fees process and clerk's fees, court reporter and transcript fees, witness fees, including experts, costs for summoning and compensating jurors, survey fees, recordation fees, assessed court costs, expenses for which the condemnor is liable upon entry of an order dismissing the condemnation proceeding, all costs for which the condemnor is liable if the County does not acquire the property after completion of the trial, costs arising from any appeal or other action in federal or state court arising out of the actual or attempted acquisition of property for the Improvements shall be reimbursed by the CDA or the Developer as appropriate.

(h) The Developer shall provide the County with the full amount of any deposit required by the County in connection with any certificate of taking filed by the County. Developer also shall be responsible for paying the full amount of any award determined by a court in connection with any condemnation proceedings as well as any interest due in connection with such award.

(i) County has full discretion to use in-house or outside counsel mutually agreeable to it, the Developer and the CDA to acquire property through condemnation. The Developer shall be responsible for all attorneys fees incurred in connection with a condemnation whether the matter is handled in-house or by outside counsel.

(j) If the CDA acquires any property for construction of Improvements and later disposes of such property, it shall use all compensation received for such property to reduce debt, construct the Improvements or to acquire other public facilities for the CDA.

6. **Notice of Appropriation or Failure to appropriate.** The County Executive or the County's Director of Finance shall deliver to the CDA and to the Trustee within 10 days after the beginning of each of the County's fiscal years a written notice specifying the amount of Annual Installments appropriated by the Board to the CDA during such year. The County agrees to notify the Trustee and each Nationally Recognized Municipal Securities Information Repository and any State Information Depository within the Commonwealth of Virginia within 10 days after the beginning of each of the County's fiscal years in the event the Board fails to appropriate any amounts payable hereunder by the County.

7. **Successors and Assigns.** This Memorandum will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

8. **Amendments.** This Memorandum may be amended only in writing signed by each of the parties hereto or their successors and assigns.

9. **Term.** This Memorandum shall be in full force and effect until all Bonds have been paid or deemed no longer outstanding under the indenture pursuant to which the Bonds are issued.

10. **Compliance with County Guidelines.** The County agrees that the CDA and the proposed financing as described in this Memorandum comply with the County's Policy Guidelines for Approval of the Creation of a Community Development Authority.

11. **Severability.** If any clause, provision or section of this Memorandum is held to be illegal or invalid by any court, the invalidity of the clause, provision or section will not affect any of the remaining clauses, provisions or sections, and this Memorandum will be construed and enforced as if the illegal or invalid clause, provision or section has not been contained in it.

12. **Counterparts.** This Memorandum may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument.

WITNESS the following signatures.

LEE CAROLINA, LLC, a Virginia limited liability company (Developer)

By: SANDLER AT HARBOR STATION, L.L.C.,
a Virginia limited liability company
Managing Member

By: _____
Name: _____
Title: Manager

KSI SERVICES, INC., ("Project Manager")

By: _____
Title

CHERRY HILL COMMUNITY DEVELOPMENT AUTHORITY

By: _____
Title: Chairman

BOARD OF COUNTY SUPERVISORS OF THE COUNTY OF PRINCE WILLIAM, VIRGINIA

By: _____
Title: County Executive

The undersigned Landowner has signed this Memorandum of Understanding in its capacity as owner of the land within the CDA solely for the purpose of evidencing agreement to the Special Assessment and notice provisions pursuant to paragraphs 4(b) and 4(g).

LEE CAROLINA, LLC, a Virginia limited liability company

By: SANDLER AT HARBOR STATION, L.L.C.,
a Virginia limited liability company,
Managing Member

By: _____
Name: _____
Title: _____

- Exhibits A – Rate and Method of Apportionment of Special Assessment A
B – Rate and Method of Apportionment of Special Assessment B
C – Preliminary Description of CDA Improvements

Exhibit A

Rate and Method (A)

Exhibit B

Rate and Method (B)

EXHIBIT A

***CHERRY HILL COMMUNITY DEVELOPMENT AUTHORITY
PRINCE WILLIAM COUNTY, VIRGINIA***

**Rate And Method of Apportionment
Of Special Assessment A**

A. INTRODUCTION

A Special Assessment A shall be imposed and an Annual Installment of the Special Assessment A shall be collected on real property within the Cherry Hill CDA through the application of the procedures described below. The Board of Directors of the CDA or their designee shall make all determinations in this Rate and Method of Apportionment of Special Assessment A unless stated otherwise.

B. DEFINITIONS

The terms used herein shall have the following meanings:

"**Act**" means the Virginia Water and Waste Authorities Act, beginning with §15.2-5100 *et seq.* of the Code of Virginia, 1950, as it may be amended from time to time.

"**Administrative Expenses**" means the following costs directly related to the administration of the CDA: the actual costs of computing the Annual Installments; the actual costs of collecting the Annual Installments (whether by the County or otherwise); the actual costs of remitting the Annual Installments to the Trustee; the actual costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Bond Indenture; the costs of the CDA of complying with arbitrage rebate requirements; the costs of the CDA of complying with securities disclosure requirements; and any other costs of the CDA in any way related to the administration and operation of the CDA, including, without limitation, the costs of official meetings of the CDA, the costs of legal counsel and other consultants and advisors, and costs related to commencing foreclosure and pursuing collection of delinquent Annual Installments.

"**Administrator**" means the official or designee of the CDA who shall be responsible for determining the Annual Revenue Requirement and such other responsibilities as provided herein, in the Bond Indenture, or by the Board of Directors.

"**Annual Installment**" means the Annual Installment to be collected from Taxable Property in a Tax Year according to the provisions of Section D herein, which shall be the amount necessary to repay the Principal Portion of the Special Assessment A, interest on the Special Assessment A, and applicable Administrative Expenses.

"Annual Installment Rate" means, for any Tax Year, a percentage equal to the Annual Revenue Requirement divided by the current total of the Principal Portion of the Special Assessment A.

"Annual Revenue Requirement" means, for any Tax Year, the sum of the following: (1) debt service on the Bonds to be paid from the Annual Installments; (2) periodic costs associated with such Bonds, including but not limited to, rebate payments and credit enhancement on the Bonds; and (3) Administrative Expenses; less (4) any credits applied under the Bond Indenture, such as interest earnings on any account balances, and (5) any other funds available to the CDA that may be applied to the Annual Revenue Requirement.

"Board" means the Board of County Supervisors of Prince William County, Virginia.

"Board of Directors" means the Board of Directors of the CDA.

"Bond Indenture" means the indenture 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 any bonds or other debt, including refunding bonds, whether in one or more series, issued by or on behalf of the CDA under the Act and to be repaid with the Special Assessment A.

"Building Square Footage" or "BSF" means the estimated square feet of building area that is or may be developed on a Parcel, taking into consideration the development legally permissible, the proposed or planned development, including the development during a reasonable build-out period for the property in the CDA, and existing or proposed Public Purpose Property, easements, and the total projected development, as estimated by the Administrator. The initial Building Square Footage is estimated to be two million square feet, based on the limits of the ability of the market to absorb commercial space during a reasonable build-out period for the property in the CDA.

"County" means Prince William County, Virginia.

"Code" means the Code of Virginia, 1950, as it may be amended from time to time.

"Equivalent Units" means, for Land Use Class 1 and 2, the number of units that is or may be built on a Parcel, and for Land Use Class 3, the Building Square Footage that is or may be built on a Parcel, multiplied by the factors for each land use class shown below, which represent an allocation of the costs of the Public Improvements funded by the Bonds:

Land Use Class 1	1.00 per unit
Land Use Class 2	0.72 per unit
Land Use Class 3	1.15 per 1,000 BSF

"Land Use Class 1" means Taxable Property within the CDA developed or intended to be developed with single family detached homes.

"Land Use Class 2" means Taxable Property within the CDA developed or intended to be developed with residential dwelling units other than property classified as Land Use Class 1.

"Land Use Class 3" means Taxable Property within the CDA that is not classified as Land Use Class 1 or Land Use Class 2.

"Parcel" means a lot or parcel with a tax map identification number assigned by the County for real property tax purposes.

"Principal Portion of the Special Assessment A" means an amount equal to \$99,000,000 representing the total of the Bonds that may be issued to finance the Public Improvements, as such amount is reduced pursuant to Sections C.3. and C.4. The Principal Portion of Special Assessment A may be increased for refunding bonds as long as the total of Special Assessment A and the Annual Installment are decreased for each Tax Year. In this event, the Principal Portion of the Special Assessment A for each Parcel shall be calculated pursuant to Section C.1.

"Public Improvements" means those improvements that the CDA has been authorized to provide to be paid with the Special Assessment A.

"Public Purpose Property" means, for any Tax Year, Parcels within the boundaries of the CDA owned by or irrevocably offered for dedication to the federal government, Commonwealth of Virginia, the County, the CDA, property owners' association (if not used in a trade or business), or any other public agency, political subdivision or entity, or qualified 501c-3 organization, and up to ten acres owned by a religious organization exempt from real property taxation, whether in fee simple or any other property ownership interest that creates an exclusive use in the property or easements that create an exclusive use for a public utility provider.

"Special Assessment A" means the Special Assessment A on each parcel, including both the Principal Portion of the Special Assessment A and the Annual Installment to be collected each year (which amount also includes the Principal Portion of Special Assessment A), as shown on Appendix A-1, as calculated by the Administrator and confirmed by the Board of Directors pursuant to the provisions of Section C.1., as it may be reapportioned upon the subdivision of any Parcel according to the provisions of Section C.2. and as it may be reduced according to the provisions of Sections C.3. and C.4.

"Special Assessment Roll" means the document attached hereto as Appendix A-1 and A-2, as amended from time to time by the Board of Directors of the CDA in accordance with the procedures set forth herein.

"**Tax Year**" means the period starting on each January 1 and ending on the following December 31.

"**Taxable Property**" means, for any Tax Year, Parcels within the CDA other than Public Purpose Property.

"**Trustee**" means the fiscal agent or trustee as specified in the Bond Indenture, including a substitute fiscal agent or trustee.

C. SPECIAL ASESMENTS

1. The Amount of the Special Assessment A

The Special Assessment A for each Parcel within the CDA shall be set by the Board of Directors prior to the issuance of the Bonds. The Annual Installments imposed on all of the Parcels shall not exceed the amounts shown in Appendix A-1 for each year.

The Special Assessment A shall be set on each Parcel by the Board of Directors according to the following formula:

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

Where the terms have the following meanings:

A = the Special Assessment A of the Parcel

B = the Equivalent Units of a Parcel

C = the total Equivalent Units of all Parcels in the CDA

D = the total of the Special Assessment A for all Parcels in the CDA.

The computation of the Equivalent Units shall be calculated by the Administrator, based on the information available regarding the use of the Parcel, and the estimate of the Administrator shall be final. The Administrator shall use consistent standards in preparing the calculations and shall prepare and keep in the records of the CDA the computations made according to this section.

The Board of Directors shall set the Special Assessment A for each Parcel prior to the issuance of Bonds, and the Special Assessment A shall not thereafter be changed except pursuant to the provisions of Sections C.2., C.3., and C.4; except that upon a change in the estimate of the total of the Equivalent Units of a Parcel, the Board of Directors may reapportion the Special Assessment A on some or all of the Parcels upon the unanimous request of the owners of the Parcels for which the Special Assessment A is to be reapportioned. The reapportionment shall be made pursuant to formula above for setting the Special Assessment A on each Parcel.

The total of all Special Assessment A shall not be reduced after the issuance of Bonds except as provided below.

2. Reapportionment of Special Assessment A Upon the Subdivision of a Parcel

Upon the subdivision of any Parcel, the Special Assessment A (including both the Principal Portion of the Special Assessment A and the Annual Installments) of the Parcel prior to the subdivision shall be reallocated to each new Parcel in proportion to the Equivalent Units of each Parcel and the Special Assessment A for the Parcel prior to the subdivision. The reapportionment of the Special Assessment A shall be represented by the formula:

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

Where the terms have the following meanings:

- A = the Special Assessment A of the Parcel
- B = the Special Assessment A of the Parcel prior to the subdivision
- C = the Equivalent Units of a Parcel
- D = the sum of the Equivalent Units of all of the new Parcels of Taxable Property that result from the subdivision.

The computation of the Equivalent Units shall be calculated by the Administrator, based on the information available regarding the use of the Parcel, and the estimate of the Administrator shall be final. The Administrator shall use consistent standards in preparing the calculations and shall prepare and keep in the records of the CDA the computations made according to this section.

In all cases, the Special Assessment A after the subdivision of a Parcel shall equal the sum of the Special Assessment A before the subdivision of the Parcel.

3. Reduction in the Special Assessment A

If the Board of Directors resolves that the total actual costs to be incurred by the CDA, including the costs of the Public Improvements and the costs related to the issuance and repaying of Bonds, including refunding bonds, and Administrative Expenses are less than the total amount of the Special Assessment A, then the Board of Directors shall reduce the Special Assessment A (including the Principal Portion of the Special Assessment A and the Annual Installment, as applicable) such that the sum of Special Assessment A equals the total costs incurred or to be incurred. The Special Assessment A shall be reduced for every Parcel of Taxable Property in the CDA in the following manner. First, if the Public Improvements were not completed and any Parcels were not fully improved by the Public Improvements, the Special Assessment A shall be reduced on these Parcels to represent the Public Improvements made to these Parcels compared to the Public Improvements made to the other Parcels, taking into consideration the use of the Public Improvements by each land use class, as represented by the Equivalent Unit factors and

the Public Improvements actually provided. The Board of Directors may provide for the reduction in the Special Assessment A to by equal percentage for each Parcel if the Board of Directors determines this would be the most fair or practical method of reducing the Special Assessment A. Second, if additional reductions are to be made in the Special Assessment A, the Special Assessment A shall be reduced by an equal percentage such that the sum of the resulting Special Assessment A for every Parcel equals the actual costs to be incurred by the CDA. Equal percentage shall be calculated by the amount of the reduction as a percent of the Special Assessment A prior to the reduction.

The Special Assessment A as reduced according to the provisions of this section shall not be reduced to an amount that is less than the outstanding amount of the previously issued Bonds, debt service on the outstanding bonds, and estimated Administrative Expenses. The CDA shall provide a recordable notice of the reduction of the Special Assessment A to the owner of each Parcel (or provide for the recordation of such notice) within a reasonable period of time after the approval of the reductions by the Board of Directors.

A revision to the budget for the Public Improvements shall not require a reduction in or reallocation of the Special Assessment A unless there is a reduction in the total actual costs of the Public Improvements.

4. Amortization of the Special Assessment A

The Special Assessment A applicable to any Parcel shall be reduced each year as Bonds are repaid. The Principal Portion of the Special Assessment A shall be reduced for the principal portion of the Annual Installment collected from each Parcel. The Special Assessment A shall also be reduced for the Annual Installment collected or foregone (that is, the portion of the Annual Installment that exceeded the Annual Revenue Requirement and is not to be collected). The Administrator may adjust the amortization of the Special Assessment A in a manner that is consistently applied to all of the Parcels in the CDA for the purpose of causing the Special Assessment A to equal zero once the Bonds are fully repaid.

D. METHOD OF DETERMINING THE ANNUAL INSTALLMENT TO BE COLLECTED EACH YEAR

Commencing with the Annual Installment to be collected in the 2006 Tax Year and for each following Tax Year, the Administrator shall estimate and the Board of Directors shall confirm the Annual Installment on each Parcel for that Tax Year. The Annual Installment on each Parcel for each Tax Year shall be equal to the Annual Installment Rate multiplied by the Principal Portion of the Special Assessment A for each Parcel. The Annual Installments as confirmed shall be collected from each Parcel of Taxable Property. The aggregate amount of the Annual Installments on all of the Parcels in any Tax Year shall equal the Annual Revenue Requirement for such Tax Year.

In the event a Parcel is subdivided into new Parcels in a Tax Year prior to the payment of the Annual Installment, and a portion of the Parcel becomes Public Purpose Property, the Annual Assessment shall be collected on the Parcel or Parcels of Taxable Property based on the reapportionment of the Special Assessment A pursuant to Section C.2. Prior to the reapportionment of the Special Assessment A, the Annual Assessment shall be a joint and several liability of each newly created Parcel of Taxable Property.

E. MANNER OF COLLECTION OF THE ANNUAL INSTALLMENT

Annual Installments shall be collected in the same manner and at the same time as regular property taxes of the County and shall be subject to the same penalties, procedures, sale, and lien priorities in case of delinquencies as are provided for regular property taxes of the County. The CDA shall notify the County of the amount of the Annual Installment to be collected on each Parcel each Tax Year in a timely manner to allow the collection of the Annual Installment by the County. The Board of Directors may provide for other means of collecting the Annual Installments, to the extent permitted under the Code.

F. TERMINATION OF ANNUAL INSTALLMENT

Except for any delinquent Annual Installments and related penalties and interest, Annual Installments shall be collected for a term not to exceed the term of all of the Bonds. In no event shall the Annual Installment be collected beyond the period in which the Special Assessment A is fully paid as provided for herein.

After the retirement of all Bonds, and the collection of any delinquent Annual Installments, penalties and interest, the CDA shall provide each owner of a Parcel a recordable document (or provide for the recordation of such document) evidencing the termination of the imposition and collection of Special Assessment A.

G. PREPAYMENT OF SPECIAL ASSESSMENT A

The Special Assessment A on any Parcel may be fully paid at any time, the Special Assessment A reduced to zero, and the obligation to pay the Annual Installments permanently satisfied by payment of an amount calculated according to the following provisions:

1. A sum equal to the Principal Portion of the Special Assessment A for the Parcel, as it may have been set, reapportioned or reduced pursuant to the provisions of Sections C.1., C.2., C.3., and C.4; less,
2. A credit for the reserve fund equal to the amount provided for in the Bond Indenture; plus,
3. A sum equal to (a) the amount needed to pay interest on the outstanding Bonds to be redeemed and the investment earnings on the prepayment amount until the Bonds can be called and redeemed, after taking into consideration the Annual Installments paid but not accounted for in the calculation of the Principal Portion of the Special Assessment A in Step 1 and (b) expenses of the CDA related to the prepayment.

The amounts calculated in the preceding steps shall be paid to the CDA and shall be distributed by the CDA to pay costs related to the prepayment and according to the Bond Indenture. Upon the payment of such prepayment amount to the CDA, the obligation to pay the Special Assessment A shall be deemed to be permanently satisfied, the Special Assessment A shall be reduced to zero, the Annual Installment shall not be collected on the Parcel thereafter, and the CDA shall provide to the owner (or cause to be recorded) a recordable notice of the payment of the Special Assessment A within a reasonable period of time of receipt of such prepayment amount.

A prepayment of the Special Assessment A shall be required on any Parcel that is acquired by an entity that results in the Parcel being classified as Public Purpose Property, if the Special Assessment A may not be reapportioned to a Parcel of Taxable Property as a result of a subdivision of the Parcel pursuant to the provisions of Section C.2. In the event an entire Parcel becomes Public Purpose Property such that the Special Assessment A cannot be reallocated to any other Parcel pursuant to the provisions of Section C.2., the Special Assessment A shall become immediately due and payable 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.

H. AMENDMENTS

Immaterial amendments may be made to this Rate and Method of Apportionment of Special Assessment A by the Board of Directors without further notice under the Act and without notice to owners of Taxable Property within the CDA. 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 Special Assessment A and other charges imposed herein so as to assure their efficient collection, and (iii) otherwise improve the ability of the CDA to fulfill its obligations to impose and collect the Special Assessment A and charges imposed herein and to make it available for the payment of the Bonds, Administrative Expenses, and other costs of the CDA. No such amendment shall be approved unless and until it has (i) been found and determined that the amendment is necessary and appropriate and does not materially adversely affect the rights of the owners of the Bonds and (ii) received an opinion of a nationally recognized bond counsel to the effect that the amendment is authorized pursuant to the terms of the Bond Indenture and the County ordinance approving the Rate and Method of Apportionment of Special Assessment A. Amendments may not be made to this Rate and Method of Apportionment of Special Assessment A pursuant to the procedure described above that would increase the total of the Special Assessment A or charges as set forth herein.

I. INTERPRETATION OF PROVISIONS

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

J. SEVERABILITY

If any section or part of a section of this "Rate and Method of Apportionment of Special Assessment A" 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.

EXHIBIT B

**CHERRY HILL COMMUNITY DEVELOPMENT AUTHORITY
PRINCE WILLIAM COUNTY, VIRGINIA**

**Rate And Method of Apportionment
Of Special Assessment B**

A. INTRODUCTION

A Special Assessment B shall be imposed and an Annual Installment of the Special Assessment B shall be collected on real property within the Cherry Hill CDA through the application of the procedures described below. The Board of Directors of the CDA or their designee shall make all determinations in this Rate and Method of Apportionment of Special Assessment B unless stated otherwise.

B. DEFINITIONS

The terms used herein shall have the following meanings:

"Act" means the Virginia Water and Waste Authorities Act, beginning with §15.2-5100 *et seq.* of the Code of Virginia, 1950, as it may be amended from time to time.

"Administrator" means the official or designee of the CDA who shall be responsible for determining the Annual Revenue Requirement and such other responsibilities as provided herein, in the Bond Indenture, or by the Board of Directors.

"Annual Installment" means the Annual Installment to be collected from Taxable Property in a Tax Year according to the provisions of Section D herein.

"Annual Installment Rate" means, for any Tax Year, a percentage equal to the Annual Revenue Requirement divided by the current total of the Special Assessment B.

"Annual Revenue Requirement" means, for any Tax Year, the sum of the following: (1) debt service on the Bonds to be paid from the Annual Installments; (2) periodic costs associated with such Bonds, including but not limited to, rebate payments and credit enhancement on the Bonds; less (3) any credits applied under the Bond Indenture, such as interest earnings on any account balances, and (4) any other funds available to the CDA that may be applied to the Annual Revenue Requirement.

"Board" means the Board of County Supervisors of Prince William County, Virginia.

"Board of Directors" means the Board of Directors of the CDA.

"Bond Indenture" means the indenture 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 any bonds or other debt, including refunding bonds, whether in one or more series, issued by or on behalf of the CDA under the Act and to be repaid with the Special Assessment B.

"Building Square Footage" or "BSF" means the estimated square feet of building area that is or may be developed on a Parcel, taking into consideration the development legally permissible, the proposed or planned development, including the development during a reasonable build-out period for the property in the CDA, and existing or proposed Public Purpose Property, easements, and the total projected development, as estimated by the Administrator. The initial Building Square Footage is estimated to be two million square feet, based on the limits of the ability of the market to absorb commercial space during a reasonable build-out period for the property in the CDA.

"County" means Prince William County, Virginia.

"Code" means the Code of Virginia, 1950, as it may be amended from time to time.

"Equivalent Units" means, for Land Use Class 1 and 2, the number of units that is or may be built on a Parcel, and for Land Use Class 3, the 1,000s of BSF that is or may be built on a Parcel, multiplied by the factors for each land use class shown below, which represent an allocation of the costs of the Public Improvements funded by the Bonds:

Land Use Class 1	1.00 per unit
Land Use Class 2	0.61 per unit
Land Use Class 3	1.60 per 1,000 BSF

"Land Use Class 1" means Taxable Property within the CDA developed or intended to be developed with single family detached homes.

"Land Use Class 2" means Taxable Property within the CDA developed or intended to be developed with residential dwelling units other than property classified as Land Use Class 1.

"Land Use Class 3" means Taxable Property within the CDA that is not classified as Land Use Class 1 or Land Use Class 2.

"Parcel" means a lot or parcel with a tax map identification number assigned by the County for real property tax purposes.

"Public Improvements" means those improvements that the CDA has been authorized to provide to be paid with the Special Assessment B.

"Public Purpose Property" means, for any Tax Year, Parcels within the boundaries of the CDA owned by or irrevocably offered for dedication to the federal government, Commonwealth of Virginia, the County, the CDA, property owners' association (if not used in a trade or business), or any other public agency, political subdivision or entity, or qualified 501c-3 organization, and up to ten acres owned by a religious organization exempt from real property taxation, whether in fee simple or any other property ownership interest that creates an exclusive use in the property or easements that create an exclusive use for a public utility provider.

"Special Assessment B" means the Special Assessment B on each parcel as shown on Appendix A-1, as calculated by the Administrator and confirmed by the Board of Directors pursuant to the provisions of Section C.1., as it may be reapportioned upon the subdivision of any Parcel according to the provisions of Section C.2. and as it may be reduced according to the provisions of Sections C.3.

"Special Assessment Roll" means the document attached hereto as Appendix A-1 and A-2, as amended from time to time by the Board of Directors of the CDA in accordance with the procedures set forth herein.

"Tax Year" means the period starting on each January 1 and ending on the following December 31.

"Taxable Property" means, for any Tax Year, Parcels within the CDA other than Public Purpose Property.

"Trustee" means the fiscal agent or trustee as specified in the Bond Indenture, including a substitute fiscal agent or trustee.

C. SPECIAL ASESSMENTS

1. The Amount of the Special Assessment B

The Special Assessment B for each Parcel within the CDA shall be set by the Board of Directors prior to the issuance of the Bonds. The Annual Installments imposed on all of the Parcels shall not exceed the amounts shown in Appendix A-1 for each year.

The Special Assessment B shall be set on each Parcel by the Board of Directors according to the following formula:

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

Where the terms have the following meanings:

- A = the Special Asscssment B of the Parcel
- B = the Equivalent Units of a Parcel
- C = the total Equivalent Units of all Parcels in the CDA

D = the total of the Special Assessment B for all Parcels in the CDA.

The computation of the Equivalent Units shall be calculated by the Administrator, based on the information available regarding the use of the Parcel, and the estimate of the Administrator shall be final. The Administrator shall use consistent standards in preparing the calculations and shall prepare and keep in the records of the CDA the computations made according to this section.

The Board of Directors shall set the Special Assessment B for each Parcel prior to the issuance of Bonds, and the Special Assessment B shall not thereafter be changed except pursuant to the provisions of Sections C.2. and C.3; except that upon a change in the estimate of the total of the Equivalent Units of a Parcel, the Board of Directors may reapportion the Special Assessment B on some or all of the Parcels upon the unanimous request of the owners of the Parcels for which the Special Assessment B is to be reapportioned. The reapportionment shall be made pursuant to formula above for setting the Special Assessment B on each Parcel.

The total of all Special Assessment B shall not be reduced after the issuance of Bonds except as provided below.

2. Reapportionment of Special Assessment B Upon the Subdivision of a Parcel

Upon the subdivision of any Parcel, the Special Assessment B of the Parcel prior to the subdivision shall be reallocated to each new Parcel in proportion to the Equivalent Units of each Parcel and the Special Assessment B for the Parcel prior to the subdivision. The reapportionment of the Special Assessment B shall be represented by the formula:

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

Where the terms have the following meanings:

- A = the Special Assessment B of the Parcel
- B = the Special Assessment B of the Parcel prior to the subdivision
- C = the Equivalent Units of a Parcel
- D = the sum of the Equivalent Units of all of the new Parcels of Taxable Property that result from the subdivision.

The computation of the Equivalent Units shall be calculated by the Administrator, based on the information available regarding the use of the Parcel, and the estimate of the Administrator shall be final. The Administrator shall use consistent standards in preparing the calculations and shall prepare and keep in the records of the CDA the computations made according to this section.

In all cases, the Special Assessment B after the subdivision of a Parcel shall equal the sum of the Special Assessment B before the subdivision of the Parcel.

3. Reduction in the Special Assessment B

If the Board of Directors resolves that the total actual costs to be incurred by the CDA, including the costs of the Public Improvements and the costs related to the issuance and repaying of Bonds, are less than the total amount of the Special Assessment B, then the Board of Directors shall reduce the Special Assessment B such that the sum of Special Assessment B equals the total costs incurred or to be incurred. The Special Assessment B shall be reduced for every Parcel of Taxable Property in the CDA in the following manner. First, if the Public Improvements were not completed and any Parcels were not fully improved by the Public Improvements, the Special Assessment B shall be reduced on these Parcels to represent the Public Improvements made to these Parcels compared to the Public Improvements made to the other Parcels, taking into consideration the use of the Public Improvements by each land use class, as represented by the Equivalent Unit factors and the Public Improvements actually provided. The Board of Directors may provide for the reduction in the Special Assessment B to by equal percentage for each Parcel if the Board of Directors determines this would be the most fair or practical method of reducing the Special Assessment B. Second, if additional reductions are to be made in the Special Assessment B, the Special Assessment B shall be reduced by an equal percentage such that the sum of the resulting Special Assessment B for every Parcel equals the actual costs to be incurred by the CDA. Equal percentage shall be calculated by the amount of the reduction as a percent of the Special Assessment B prior to the reduction.

The Special Assessment B as reduced according to the provisions of this section shall not be reduced to an amount that is less than the outstanding amount of the previously issued Bonds. The CDA shall provide a recordable notice of the reduction of the Special Assessment B to the owner of each Parcel (or provide for the recordation of such notice) within a reasonable period of time after the approval of the reductions by the Board of Directors.

A revision to the budget for the Public Improvements shall not require a reduction in or reallocation of the Special Assessment B unless there is a reduction in the total actual costs of the Public Improvements.

D. METHOD OF DETERMINING THE ANNUAL INSTALLMENT TO BE COLLECTED EACH YEAR

Commencing with the Annual Installment to be collected in the 2006 Tax Year and for each following Tax Year, the Administrator shall estimate and the Board of Directors shall confirm the Annual Installment on each Parcel for that Tax Year. The Annual Installment on each Parcel for each Tax Year shall be equal to the Annual Installment Rate multiplied by the Special Assessment B for each Parcel. The Annual Installments as confirmed shall be collected from each Parcel of Taxable Property. The aggregate amount of the Annual Installments on all of the Parcels in any Tax Year shall equal the Annual Revenue Requirement for such Tax Year.

In the event a Parcel is subdivided into new Parcels in a Tax Year prior to the payment of the Annual Installment, and a portion of the Parcel becomes Public Purpose Property, the Annual Assessment shall be collected on the Parcel or Parcels of Taxable Property based on the reapportionment of the Special Assessment B pursuant to Section C.2. Prior to the reapportionment of the Special Assessment B, the Annual Assessment shall be a joint and several liability of each newly created Parcel of Taxable Property.

E. MANNER OF COLLECTION OF THE ANNUAL INSTALLMENT

The Special Assessment B of a Parcel shall be due in full upon the transfer of that Parcel to an entity unrelated to Lee Carolina, LLC. Prior to the transfer of a Parcel, Annual Installments shall be collected in the same manner and at the same time as regular property taxes of the County and shall be subject to the same penalties, procedures, sale, and lien priorities in case of delinquencies as are provided for regular property taxes of the County. The CDA shall notify the County of the amount of the Annual Installment to be collected on each Parcel each Tax Year in a timely manner to allow the collection of the Annual Installment by the County. The Board of Directors may provide for other means of collecting the Annual Installments, to the extent permitted under the Code.

F. TERMINATION OF ANNUAL INSTALLMENT

Except for any delinquent Annual Installments and related penalties and interest, Annual Installments shall be collected for a term not to exceed the earlier of fifteen years and the term of all of the Bonds. In no event shall the Annual Installment be collected beyond the period in which the Special Assessment B is fully paid as provided for herein.

After the retirement of all Bonds, and the collection of any delinquent Annual Installments, penalties and interest, the CDA shall provide each owner of a Parcel a recordable document (or provide for the recordation of such document) evidencing the termination of the imposition and collection of Special Assessment B.

G. PREPAYMENT OF SPECIAL ASSESSMENT B

The Special Assessment B on any Parcel may be fully paid at any time, the Special Assessment B reduced to zero, and the obligation to pay the Annual Installments permanently satisfied by payment of an amount calculated according to the following provisions:

1. A sum equal to the Special Assessment B for the Parcel, as it may have been set, reapportioned or reduced pursuant to the provisions of Sections C.1., C.2., and C.3; less,
2. An amount required to pay expenses of the CDA related to the prepayment.

The amounts calculated in the preceding steps shall be paid to the CDA and shall be distributed by the CDA to pay costs related to the prepayment and according to the Bond Indenture. Upon the payment of such prepayment amount to the CDA, the obligation to pay the Special Assessment B shall be deemed to be permanently satisfied, the Special Assessment B shall be reduced to zero, the Annual Installment shall not be collected on the Parcel thereafter, and the CDA shall provide to the owner (or cause to be recorded) a recordable notice of the payment of the Special Assessment B within a reasonable period of time of receipt of such prepayment amount.

A prepayment of the Special Assessment B shall be required on any Parcel that is acquired by an entity that results in the Parcel being classified as Public Purpose Property, if the Special Assessment B may not be reapportioned to a Parcel of Taxable Property as a result of a subdivision of the Parcel pursuant to the provisions of Section C.2. In the event an entire Parcel becomes Public Purpose Property such that the Special Assessment B cannot be reallocated to any other Parcel pursuant to the provisions of Section C.2., the Special Assessment B shall become immediately due and payable 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.

H. AMENDMENTS

Immaterial amendments may be made to this Rate and Method of Apportionment of Special Assessment B by the Board of Directors without further notice under the Act and without notice to owners of Taxable Property within the CDA. 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 Special Assessment B and other charges imposed herein so as to assure their efficient collection, and (iii) otherwise improve the ability of the CDA to fulfill its obligations to impose and collect the Special Assessment B and charges imposed herein and to make it available for the payment of the Bonds, Administrative Expenses, and other costs of the CDA. No such amendment shall be approved unless and until it has (i) been found and determined that the amendment is necessary and appropriate and does not materially adversely affect the rights of the owners of the Bonds and (ii) received an opinion of a nationally recognized bond counsel to the effect that the amendment is authorized pursuant to the terms of the Bond Indenture and the County ordinance approving the Rate

and Method of Apportionment of Special Assessment B. Amendments may not be made to this Rate and Method of Apportionment of Special Assessment B pursuant to the procedure described above that would increase the total of the Special Assessment B or charges as set forth herein.

I. INTERPRETATION OF PROVISIONS

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

J. SEVERABILITY

If any section or part of a section of this "Rate and Method of Apportionment of Special Assessment B" 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.

Exhibit C

Preliminary Description of CDA Improvements

<u>Special Assessment A Improvements</u>	<u>Estimated Cost</u>
Route 1 at Route 234	\$4,704,142
Route 1 utility relocation	2,887,500
Route 234	3,034,930
Harbor Station Parkway from Route 1 to Wayside Drive	16,037,233
Right of way acquisition at Route 1/Route 234 Interchange	27,300,000
VRE station	<u>17,734,080</u>
Total	<u>\$71,697,885</u>
 <u>Special Assessment B Improvements</u>	 <u>Estimated Cost</u>
Harbor Station Parkway from Wayside Drive to Cherry Hill	\$15,565,550



COUNTY OF PRINCE WILLIAM

1 County Complex Court, Prince William, Virginia 22192-9201
(703) 792-6620 Metro 631-1703 FAX: (703) 792-6633
County_Attorney@pwcgov.org

COUNTY ATTORNEY

Ross G. Horton
County Attorney

January 8, 2007

AGENDA DATE: January 23, 2007

TO: BOARD OF COUNTY SUPERVISORS

FROM: ROBERT B. DICKERSON *Robert B. Dickerson*
Assistant County Attorney

**RE: APPROVAL OF MEMORANDUM OF UNDERSTANDING WITH
THE CHERRY HILL COMMUNITY DEVELOPMENT
AUTHORITY, LEE CAROLINA, LLC AND KSI SERVICES, INC.-
WOODBIDGE AND DUMFRIES MAGISTERIAL DISTRICTS**

The Board is being asked to approve the final version of the Memorandum Of Understanding between the County, the Cherry Hill Community Development Authority ("Cherry Hill CDA"), Lee Carolina, LLC ("Lee Carolina") and KSI Services, Inc ("KSI").

The Cherry Hill CDA was created by an ordinance, enacted April 19, 2005 ("Ordinance"). On January 17, 2006, the Board approved a draft Memorandum Of Understanding ("MOU") setting forth certain agreements among the County, the Cherry Hill CDA, Lee Carolina, and KSI. Pursuant to that draft, both the landowner, Lee Carolina, and KSI had certain obligations to the County. Lee Carolina and KSI have asked the County to modify the MOU so that these burdens are born by Lee Carolina. KSI will remain a party to the MOU as the development manager for the project but only Lee Carolina will be liable to the County for the obligations of the developer under the MOU.

Lee Carolina is the landowner of all the property within the Cherry Hill CDA. Although, KSI will no longer be liable for these obligations under the MOU, KSI will remain, as anticipated, an active developing force in the implementation of this project. Consequently, staff is recommending the amended MOU for approval by the Board.

A draft proposed resolution is attached hereto for the Board's consideration.

Attachments: As stated

cc: Chris Martino
Tom Blaser
Steve Griffin

W:\rbd\BOCS\memo approval of cherry hill development MOU.doc

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