



August 13, 2009

Mr. Stephen Turner
Director of Economic Development
City of Rock Hill
PO Box 11706
155 Johnston Street
Rock Hill, SC 29731-1706

Dear Mr. Turner:

On behalf of the City of Rock Hill you requested that we update our opinion regarding the need for public financing to support the Riverwalk project where the developer has petitioned the City for \$48 million to fund infrastructure and public amenities. A previous communication on this issue was prepared for the City in February 2009.

The Riverwalk project plan has not changed in the last six months. To recall, the Greens of Rock Hill LLC (GRH) is planning a major development called Riverwalk, which is adjacent to I-77, Cherry Road, and the Catawba River. The Riverwalk project will consist of approximately 3.5 million square feet of development, with a mix of residential, retail, and industrial uses. The project will also include extensive public amenities including a walking trail along the Catawba River, active recreation areas, and potentially a cycling and outdoor center. The total project values are estimated at \$600 million over the 10 year build out period. The developer has requested financial assistance in the amount of \$48 million from the City of Rock Hill in the form of Tax Increment Financing ("TIF") and Municipal Improvement District (MID) financing.

We believe that the City of Rock Hill has given cautious and thorough consideration to these issues, and that public financing is highly merited in the case of the Riverwalk project. We recommend to the City of Rock Hill phase its support of the project with a Phase I TIF/MID issue that yields \$12-15 million in bond proceeds for the developer--this opinion is unchanged from our February communication on gap financing. We further recommend that MID financing, where the developer/owner and future owners may be responsible for assessments used to repay MID bonds, may be used to provide additional funds for infrastructure and public amenity expenditures. With these MID bonds, the City should function as the financing conduit only; it should place the responsibility for any credit support and for the sale of the bonds with the developer. In this way, the City will help the developer to secure tax-exempt financing that would not otherwise be available in the capital markets, but will not forego tax revenues as a result of the MID bonds, nor relieve the developer of the liability associated with the MID bonds.

Phase I public financing will allow the project to move forward for the next 24-48 months at which time: 1) the developer will have some vertical development underway, principally industrial and commercial development; 2) the development and credit markets can be reassessed, which may lead to changes in



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the master plan or its phasing; and 3) costs and valuations can be revisited to size the next phase of public support, if necessary.

We previously reviewed the developer's financial statements and conducted a due diligence on the company in order to issue the memorandum on gap financing earlier this year. For that review, the developer provided December 31, 2007 financial statements. I strongly recommend that GRH provide 2008 accountant-prepared financial statements and 2009 interim statements for review prior to any public bond issuance in support of the Riverwalk project.

If you have any comments or questions about these recommendations, please do not hesitate to ask.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Wexler', with a long horizontal flourish extending to the right.

Matthew B. Wexler

Partner