

ANNUAL CONTINUING DISCLOSURE REPORT

For the Period Ending March 31, 2008

\$36,310,000

*Mayor and Council of Brunswick
(City of Brunswick, Maryland)
Special Obligation Bonds
(Brunswick Crossing Special Taxing District)
Series 2006*

Prepared by

MUNICAP, INC.

July 16, 2008

ANNUAL CONTINUING DISCLOSURE REPORT
For the Period Ending March 31, 2008

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I. UPDATED INFORMATION

Information provided below is updated from the Limited Offering Memorandum dated September 14, 2006:

- As of March 31, 2008, the developer reports that \$18,572,301 has been expended for construction of public improvements, representing 49.3% of the total budget for public improvements.
- The developer reports that on May 30, 2007, the Mayor and Council of Brunswick issued a Letter of Agreement, which revised the original budgeted costs for the city procured facilities by combining the new water tower construction related costs into one line item referred to as the Water Tower and Associated Improvements. As a result, the original budget for public improvements has increased by \$100,591.
- The developer reports that the design of the wastewater treatment plant upgrade and expansion was approved for construction by the Maryland Department of the Environment (MDE), the Soil Conservation District (SCD), the county, and the city on March 21, 2006. The design of the water tower and related improvements was approved for construction by MDE, SCD, the county and the city on November 3, 2006. The design of the water mains is complete and was approved by SCD, the county and the city on November 15, 2007. The design of the sewer interceptor was approved by SCD, the county and the city on November 15, 2007.
- As of March 31, 2008, the developer reports that both off-site and on-site sewer outfall designs have been completed and fully approved.
- As of March 31, 2008, the developer reports that the traffic study and overall improvement plan was conditionally approved by the Maryland State Highway Administration (MSHA) in July 2007. The developer also reports that the improvement plan for Route 17, Gateway Road, was submitted and reviewed by MSHA and the comments are being addressed. According to the developer, the final approval is anticipated during the summer of 2008.
- The developer reports that the Route 17/Route 340 Off-Ramp/Round-a-bout plan was submitted and reviewed by MSHA. According to the developer, the comments are being addressed and the final approval is anticipated during the summer of 2008.
- The developer reports that overall site plan/permits have been approved, which includes MDE Authorization on July 1, 2007, Natural Resources Inventory by the county, and the Preliminary Forest Conversation Plan by the county on February 7, 2007. According to the developer, the overall preliminary site plan was approved by the city and the county on June 27, 2005.
- As of March 31, 2008, the developer reports that the construction of the wastewater treatment plant is continuing. According to the developer, the plant is anticipated to be completed by the second quarter of 2008. The developer also reports that the construction of the water treatment plant and associated improvements is approximately 95 percent complete.
- The developer reports that the design of the water treatment plant expansion and the associated remote monitoring system is continuing. According to the developer, the submission for approval is anticipated during the second quarter of 2008. According to the developer, completion of the water treatment plant expansion is not required for the first development phase.

- As of March 31, 2008, the developer reports that the design of the 12” water supply main from the water treatment plant is complete. According to the developer, construction is anticipated to commence during the second quarter of 2008.
- The developer reports that the design of 16” water supply main from the water tower to Brunswick Crossing Project is complete and approved. According to the developer, the construction is anticipated to commence during the second quarter of 2008.
- As of March 31, 2008, the developer reports that the preliminary design of the raw water presedimentation basin is complete and the final design is underway with submission anticipated during the summer of 2008.
- As of March 31, 2008, the developer reports that the traffic study and overall improvement plan was conditionally approved by MSHA in July 2007.
- The developer reports that Little Catocin Creek Drive has been renamed Dutchman’s Creek Drive in order to avoid any possible confusion with another existing similarly named roadway. According to the developer, the design of Dutchman’s Creek Drive is complete, and construction is expected to commence in conjunction with the Phase I development.
- As of March 31, 2008, the developer reports that the improvements for Petersville Road entrance, the Central Avenue improvements, MD Route 464 and 9th Avenue are expected to be designed, permitted and built in conjunction with the Phase II development. According to the developer, the design of Lender Creek Drive, one of the Jefferson Pike Road entrances, is complete and construction is expected to commence in conjunction with the Phase I development.
- As of March 31, 2008, the developer reports that the delivery of the first section of model homes lots is anticipated during the fall 2008, with production lots estimated for delivery shortly thereafter. According to the developer, the grand opening of the model home park is anticipated in spring 2009. The developer also reports that recording of plats is anticipated during the summer of 2008.
- As of March 31, 2008, the developer reports that Brunswick Crossing, LLC has reacquired the option to purchase approximately 12.81152 acres of office/research zoned property in the district from SLI Properties, LLC, on February 15, 2007.

II. INTRODUCTION

The Mayor and Council of Brunswick (City of Brunswick, Maryland) Special Obligation Bonds (Brunswick Crossing Special Taxing District), Series 2006 (the “2006 Bonds”) were issued pursuant to Article 23A, Section 44A of the Annotated Code of Maryland, as amended (the “Act”), certain proceeding of the City, including Special Ordinance No. 431 (the “Ordinance”) adopted by the Mayor and Council of Brunswick on October 11, 2005, an order of the Mayor, and a Trust Indenture, dated as of September 1, 2006, by and between the Mayor and Council of Brunswick, a body corporate and politic and political subdivision of the State of Maryland (the “City”), and Manufacturers and Traders Trust Company (the “Trustee”).

Brunswick Crossing Special Taxing District (the “District”) consists of approximately 552.7 acres located in Brunswick, Maryland adjacent to the intersection of Jefferson Pike and Burkittsville Road in Frederick County, Maryland. The district is located approximately 15 miles southwest of Frederick, Maryland and the Montgomery County I -270 corridor, a commercial, employment, and residential corridor of the Washington, D.C. region.

Property located within the district is currently undergoing development and is owned by Brunswick Crossing, LLC (the “Developer”). The developer has secured zoning and public approvals allowing for Planned Unit Development, General Commercial and Office/Research uses. According to the Limited Offering Memorandum, approximately 37.8 acres of the 552.7 acres in the development are intended to be used for retail or office use. Public approvals allow for the development of up to 1,505 dwelling units, approximately 210,900 square feet of retail space and approximately 178,100 square feet of office/research space. The boundaries of the district and the development are coterminous.

Special obligation bonds in the amount of \$36,310,000 were issued in September 2006, the proceeds of which are to be used to construct the public improvements. According to the Limited Offering Memorandum, the project is expected to be developed over approximately ten years.

The information in this report regarding development activity was provided by the developer and is believed to be accurate; however, no effort has been made to independently verify the information. The information provided herein is not intended to supplement or otherwise relate to the information provided in the Limited Offering Memorandum and any such intent is expressly disavowed. Rather, this report responds to the specific requirements of the continuing disclosure agreement.

No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of March 31, 2008, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The development is a master-planned, mixed-use development on approximately 552.7 acres located within the City of Brunswick. The development, which is coterminous with the district, is located approximately 15 miles southwest of the Frederick, Maryland and the Montgomery County I -270 corridor, a commercial, employment, and residential corridor of the Washington D.C. region. Property located within the district is being developed and is owned by Brunswick Crossing, LLC.

According to the Limited Offering Memorandum, the residential development is expected to include approximately 239.6 acres, the retail and commercial development is expected to include approximately 37.8 acres, and the right-of-ways and stormwater management facilities are expected to occupy approximately 70.7 acres. The remaining 189.5 acres is expected to be reserved as open space. The developer has agreed to donate approximately 6.1 acres of land in the district to the local volunteer fire department. The developer has also agreed to dedicate a 15.1 acre site in the district to the Frederick County Board of Education for the purpose of building a school or, alternatively if not needed for a school site, to the city for use as a public park.

The development is anticipated to contain approximately 1,505 residential units at build-out. The development is expected include approximately 210,900 square feet of commercial development, 178,100 square feet office/research development and 189.5 acres of green space. The development is expected to offer amenities including a community center, pool and pool-house, tennis courts, paved trail system, passive and active parks and play grounds.

B. STATUS OF GOVERNMENT PERMITS

According to the engineer's report included in the Limited Offering Memorandum, residentially zoned properties within the district are being developed utilizing the Planned Unit Development (PUD) zoning overlay. The PUD overlay facilitates the development of comprehensive planned communities by providing flexibility with regard to unit types and lot sizes to meet the varying market needs, allowing maximization of green space and recreational opportunities, preserving natural topography and recourses, and promoting the efficient utilization of the land areas resulting in smaller networks of utilities and streets.

According to the engineer's report, the district has been granted approval by the city for 1,505 residential units based upon the zoning densities and acreages for the various parcels. The reminder of the district is zoned for approximately 210,900 square feet of retail commercial and approximately 178,100 square feet of office/research.

According to the Limited Offering Memorandum, the developer has received zoning and public approval as required by the annexation agreement and the city's master plan for the following development program:

PUD Dwelling Units (Single-family Detached, Villas, Townhomes, Senior Assisted Living)	1,505 Units
General Commercial	210,900 SF
Office/Retail	178,100 SF
Green Space	189.5 Acres

According to the engineer's report, the development PUD received its Phase I plan approval from the City of Brunswick on October 28, 2003. Phase I approval established justification for the project based upon its compatibility with the master plan, relationship with existing land uses, and long term compatibility with local development patterns and infrastructure. The Phase I approval also established the total residential unit yield at 1,505 units.

According to the engineer's report, the PUD received Phase II approval from the city on May 24,

2004. The Phase II approval included adequacy testing under the city's Adequate Public Facilities Ordinance (APFO). The district has APFO approval for water and sewer facilities, schools and roads. These approvals established the land use densities, development yields, unit mixes, and phasing schedule for future platting and infrastructure improvements required for the land bays with the PUD. The PUD zoning permits a wide variety of residential product types together with community facilities, open space, conservation area and recreational areas.

According to the engineer, the PUD received Phase III preliminary plan approval on June 27, 2005. The Phase III preliminary plan approval expanded upon the Phase II approval and provided an overall project layout. Approval of the Phase III preliminary plan represented the last primary overall planning approval required for the PUD.

The developer reports that the overall site plan/permits have been approved, which included Maryland Department of the Environment (MDE) authorization on July 1, 2007; Natural Resources Inventory by the county; Preliminary Forest Conversation Plan by the county on February 7, 2007; and the Overall Preliminary Site Plan by the county and the city on June 27, 2005. According to the developer, the required MDE non-tidal wetlands and waterways authorization to proceed was approved and issued for the entire project on October 1, 2007. The developer also reports that the Maryland Historical Trust has completed their review and granted approval with no additional submittals or mitigation required.

The developer reports that the design of the wastewater treatment plant upgrade and expansion was approved for construction by MDE, the Soil Conservation District (SCD), the county, and the city on March 21, 2006. The design of the water tower and related improvements was approved for construction by MDE, SCD, the county and the city on November 3, 2006. The design of the water mains is complete and was approved by SCD, the county and the city on November 15, 2007. The design of the sewer interceptor has been approved by SCD, the county and the city on November 15, 2007; both off-site and on-site sewer outfall designs were completed and fully approved.

The developer reports that the traffic study and overall improvement plan was conditionally approved by the Maryland State Highway Administration (MSHA) in July 2007. The developer also reports that the improvement plan for Route 17, Gateway Road, was submitted and reviewed by MSHA and the comments are being addressed. According to the developer, the final approval is anticipated during the summer of 2008. The developer also reports that the design of Dutchman's Creek Drive (formerly Little Catocin Creek Drive) was completed and approved by SCD, the county and the city on April 14, 2008.

As of March 31, 2008, the developer reports that site plans for Phase I Section IA, IB & IC, and Community Center has been approved. The developer also reports that the final Forest Conservation Plan for Phase I has been approved. According to the developer, the Phase I mass grading plan and associated grading permit were issued in October 2007. Mass grading for Phase IA and IB is approximately 85 percent complete. According to the developer, the conceptual design work for commercial property in Phase I has been completed and is currently being reviewed by interested parties and the city.

Table III-1 in the following page provides a summary of the permit approval status as reported by the developer as of March 31, 2008.

**Table III-1
Status of Permits and Approvals**

Permit/Approval	Status of Approval	Date of Approval	Permitting Agency
Water & Sewer			
Wastewater Treatment Plant Upgrade	Approved	March 21, 2006	MDE, SCD, Frederick County & City of Brunswick
Water Tower & Related Improvements	Approved	November 3, 2006	MDE, SCD, Frederick County & City of Brunswick
Water Treatment Plant	Approved	November 2, 2007	MDE, SCD, Frederick County & City of Brunswick
Water Supply Mains	Approved	November 15, 2007	SCD, Frederick County & City of Brunswick
Sewer Interceptor Raw Water Presedimentation Basin Local Sewer Outfall	Approved	November 15, 2007	SCD, Frederick County & City Brunswick
Roadway & Trails			
MD 340 Westbound Interchange	In progress		MSHA
Intersection of MD 464 & 9th Ave	Pending		MSHA
Central Avenue	Pending		SCD, Frederick County & City of Brunswick
MD 17 Gateway Improvements	In progress		MSHA
Dutchman's Creek Drive (Previously Little Catoctin Creek Drive)	Approved	April 14, 2008	SCD, Frederick County & City of Brunswick
Petersville Road Entrance			MSHA
Site Improvements			
Overall Site Plan Permits			
MDE Authorization	Approved	October 1, 2007	MDE
Natural Resource Inventory			Frederick County
Preliminary Forest Conservation Plan	Approved	February 7, 2007	Frederick County
Overall Preliminary Site Plan	Approved	June 27, 2005	Frederick County, City of Brunswick
Phase I (241 Units)			
Phase I-A Site Plan	Approved	January 22, 2007	Frederick County, City of Brunswick
Phase I-B Site Plan	Approved	January 22, 2007	Frederick County, City of Brunswick
Phase I-C Site Plan	Approved	January 22, 2007	Frederick County, City of Brunswick
Phase I Final Forest Conservation	Approved	August 3, 2008	Frederick County
Phase I Rough Grading and SWM	Approved	July 23, 2007	SCD, Frederick County, City of Brunswick
Phase I Improvement Plan	Approved	April 15, 2007	SCD, Frederick County, City of Brunswick

MDE – Maryland Department of the Environment

SCD – Soil Conservation District

MSHA – Maryland State Highway Administration

C. STATUS OF PUBLIC IMPROVEMENTS

According to the Limited Offering Memorandum, the public improvements to be constructed with the Series 2006 Bonds consists of, among other things, the upgrade and expansion of the city's wastewater treatment plant and water treatment building, construction of an elevated water storage facility, construction of water and sewer transmission mains, various road widening and intersection improvements, open space, park and recreational facilities, stormwater management facilities, rights-of-way, and other public improvements.

(i) Water and Sewer Infrastructure

According to the engineer's report, the district will be served by the extensions of public water and sanitary sewer systems owned and maintained by the city. Improvements of water and sewer infrastructure includes upgrade and expansion of the city's wastewater treatment plant, upgrade and expansion of the city water treatment plant, raw water presedimentation basin, elevated water storage tank and booster pump station, water supply mains, and sewer mains.

As of March 31, 2008, the developer reports that the construction of wastewater treatment plant is continuing. According to the developer, construction of the plant is anticipated to be completed by the end of second quarter 2008. The developer also report that construction of the water treatment plant and associated improvements is approximately 95 percent complete.

The developer reports that the design of water treatment plant expansion and the associated remote monitoring system is continuing. According to the developer, the submission for final approval is anticipated during the second quarter of 2008. According to the developer, completion of the water treatment plant expansion is not required for the first development phase.

As of March 31, 2008, the developer reports that the design of the 12" water supply main from the water treatment plant is complete. According to the developer, the construction is anticipated to commence in May 2008. The developer also reports that the design of 16" water supply main from the water tower to Brunswick Crossing project is complete and approved. According to the developer, construction is anticipated to commence during the second quarter of 2008. The developer also reports that both off-site and on-site outfall design have been completed and approved. According to the developer, the construction is anticipated to commence during the second quarter of 2008.

As of March 31, 2008, the developer reports that the construction of the water tower and associated improvements is continuing. According to the developer, construction is 95 percent complete. The developer also reports that the preliminary design of raw water presedimentation basin is complete and the final design is underway with submission anticipated during the summer of 2008.

(ii) Roadways and Trails

According to the engineer's report, the roadway network being constructed within the districts consists of collector and local streets, including proposed two and four lane divided sections and two and four-lane undivided sections. All public streets will be constructed within platted public rights of way, built to city or MSHA specifications and dedicated to the city and the MSHA for public use and maintenance. The road improvements funded with the Series 2006 Bond proceeds include the intersection of MD Route 17 and US Route 340 westbound ramp, the intersection to MD Route 464 and 9th Avenue, Central Avenue, the improvements to Central Avenue to meet city design standards connecting the southern portion of the project to the city, the improvements to MD Route 17(Burkittsville Road), associated with the city's gateway frontage policies and as required by MSHA entrance requirements, the improvements to MD Route 180 and Petersville Road, as required by MSHA entrance requirements, and the improvements to Little Catoclin Drive (now known as Dutchman's Creek Drive), which serves as the regional access to the commercial area.

The developer reports that Little Catoclin Creek Drive has been renamed to Dutchman's Creek Drive to avoid any possible confusion with another existing similarly named roadway. According to the

developer, the design of Dutchman's Creek Drive is complete and construction is expected to commence in conjunction with Phase I development.

As of March 31, 2008, the developer reports that the improvements for the Petersville Road entrance, Central Avenue improvements, MD Route 464 and 9th Avenue, is expected to be designed, permitted and constructed in conjunction with the Phase II development. According to the developer, the design of Lender Creek Drive, one of the Jefferson Pike Road entrances, is complete and construction is expected to commence in conjunction with the Phase I development.

(iii) Bond Proceeds Expended for Public Improvements

According to the Limited Offering Memorandum, the public improvements in the total cost of \$37,561,581 were anticipated to be funded with approximately \$26,483,034 from the Series 2006 Bond proceeds and approximately \$11,000,000 in grant reimbursements from the Maryland Department of the Environment. The developer reports that on May 30, 2007, the Mayor and Council of Brunswick issued a Letter of Agreement, which revised the original budgeted costs for the city procured facilities by combining the new water tower construction related costs into one line item referred as Water Tower and Associated Improvements. As a result, the original budget for the public improvements has increased by \$100,591 as shown in Table III-6 below.

As of March 31, 2008, the developer reports that \$18,572,301 has been expended for construction of public improvements, representing 49.3% of the total budget for public improvements.

Table III-2 below provides a summary of the public improvements budget reported by the developer as of March 31, 2008.

Table III-2
Budget for Public Improvements

Public Improvement	Original Budget	Budget Change	Revised Budget	Spent to Date	Percent Complete
City Procured Improvements:					
<i>Infrastructure- Water and Sewer</i>					
Wastewater treatment plant	\$15,253,765	\$0	\$15,253,765	\$14,740,297	96.6%
Water tower and associated improvements	\$2,943,029	\$100,591	\$3,043,620	\$2,916,700	95.8%
Water treatment plant	\$1,912,176	\$0	\$1,912,176	\$145,762	7.6%
Water mains	\$2,560,320	\$0	\$2,560,320	\$123,946	4.8%
Sewer interceptor	\$1,190,280	\$0	\$1,190,280	\$521,313	43.7%
Receiver, hardware and software for Remote monitoring system	\$33,120	\$0	\$33,120	\$0	%
Raw water presedimentation basin	\$1,433,700	\$0	\$1,433,700	\$24,804	1.7%
<i>Sub-total City Procured Improvements</i>	\$25,326,390	\$100,591	\$25,426,981	\$18,472,822	72.6%
Developer Procured Improvements:					
<i>Infrastructure- Water and Sewer</i>					
Local sewer outfall	\$2,163,936	\$0	\$2,163,936	\$37,924	1.7%
<i>Infrastructure - Roadways</i>					
Petersville Road entrance	\$385,011	\$0	\$385,011	\$0	0%
Jefferson Pike Road entrances	\$1,155,034	\$0	\$1,155,034	\$865	0%
Central Avenue improvements	\$536,038	\$0	\$536,038	\$0	0%
U.S. Route 340 - westbound interchange	\$546,000	\$0	\$546,000	\$2403	0.4%
MDR 464 & 9 th Ave intersection	\$741,000	\$0	\$741,000	\$9,878	1.3%
MDR 17 Gateway	\$4,146,390	\$0	\$4,146,390	\$43,857	1.0%
Little Catoclin Creek Drive	\$312,000	\$0	\$312,000	\$4,552	1.4%
<i>Sub-total Roadways</i>	\$7,821,473	\$0	\$7,821,473	\$99,479	1.2%
Right-of-Ways & easements	\$100,000	\$0	\$100,000	\$0	0.0%
Trail system	\$2,149,777	\$0	\$2,149,777	\$0	0.0%
<i>Sub-total Developer Procured Improvements</i>	\$12,235,187	\$0	\$12,235,187	\$99,479	0.8%
Total Bond Eligible Improvements	\$37,561,581	\$100,591	\$37,662,172	\$18,572,301	49.3%

D. STATUS OF DEVELOPMENT

(i) Status of Vertical Development

According to the Limited Offering Memorandum, the development is expected to include 1,505 residential units. The development is also expected to include 25.8 acres of general commercial development and 12.0 acres of office/research development. The development of the retail and commercial components is anticipated to commence in 2010 and expected to be completed by 2013 and 2014, respectively. The residential development is anticipated to consist of six phases. The developer reports that construction of the final phase of the residential development is anticipated to be completed by 2018.

As of March 31, 2008, the developer reports that the delivery of the first section of model homes lots is anticipated in fall 2008, with production lots estimated for delivery shortly thereafter. According to the developer, the grand opening of the model home park is anticipated during the spring of 2009. The developer also reports that recording of plats is anticipated during the summer 2008.

Table III-3 below provides a summary of planned development as reported in the Limited Offering Memorandum.

Table III-3
Planned Development

Development Type	Number of Lots/Units	Lot Width
Residential Lots		
Single-family Detached	422	70
Single-family Detached-TND*	184	50
Single-family Detached-TND*	440	45
Villas	60	36
Villa-TND*	156	36
Townhomes - TND*	143	24
Senior Assisted Living	100	
Total - Residential	1,505	
General Commercial (Square Feet)		210,900
Office Retail (Square Feet)		178,100

* Traditional Neighborhood Design

(ii) Status of Closing of Residential Lots with Builders

As outlined in the Limited Offering Memorandum, the developer planned to sell lots to homebuilders and had signed letters of intent for the sale of 686 lots in Phases I and II of the development. The builders included: NV Homes, Ryan Homes, Advantage Homes and Winchester Homes.

As of March 31, 2008, developer reports that the lot contract negotiations are actively continuing with builders in residential Phases I and II. The developer also reports that builders are concerned about the short-term economic issues facing homebuyers, especially their ability to obtain mortgage financing and sell their existing homes. As a result, projecting absorptions is difficult to forecast until the market stabilizes.

As of March 31, 2008, the developer reports that there have been no residential lots sold or closed with homebuilders.

Table III-4 below shows the status of residential units/lots sold to homebuilders and the number of lots settled with homebuilders as reported by the developer as of March 31, 2008.

Table III-4
Status of Lots Sold and Lots Settled with Homebuilders

Unit Type	Planned Number of Lots/Units	Number of Lots Sold to Homebuilder	Number of Lots settled with Homebuilder
Residential Lots			
Single-family Detached	422	0	0
Single-family Detached-TND*	184	0	0
Single-family Detached-TND*	440	0	0
Villas	60	0	0
Villa-TND*	156	0	0
Townhomes - TND*	143	0	0
Senior Assisted Living	100	0	0
Total	1,505	0	0

*Traditional Neighborhood Design

(iii) Status of Home Sales and Closings

As of March 31, 2008, the developer reports that as there have been no building permits issued. The developer also reports that there have been no homes sold or closed with homebuyers.

Table III-5
Status of Homes Sales and Closings

Unit Type	Planned Number of Lots/Units	Number of Building Permits issued to Homebuilders	Number of Homes Sold to Homebuyers	Number of Homes settled with Homebuyers
Residential Lots				
Single-family Detached	422	0	0	0
Single-family Detached- TND*	184	0	0	0
Single-family Detached- TND*	440	0	0	0
Villas	60	0	0	0
Villa-TND*	156	0	0	0
Townhomes - TND*	143	0	0	0
Senior Assisted Living	100	0	0	0
Total	1,505	0	0	0

* Traditional Neighborhood Design

(iv) Status of Sales and Lease of Commercial Property

According to the Limited Offering Memorandum, approximately 389,000 square feet of commercial development is expected to be built within the district. According to the Limited Offering Memorandum, the development of retail and office components is anticipated to commence in 2010 and be completed by 2013 and 2014, respectively.

As of March 31, 2008, the developer reports that Brunswick Crossing, LLC has reacquired the option to purchase an approximately 12.81152 acre parcel of property zoned for office/research use within the district from SLI Properties, LLC on February 15, 2007. According to the Limited Offering Memorandum, SLI Properties, LLC, a former member of the developer, retained an option to purchase an approximately 12.81152 acre office/research zoned component of the development. According to the developer, the

purchase agreement includes deferred note with SLI, guaranteed by William D. Pleasants, Jr., for a term of the earlier of forty eight months or the sale, assignment or transfer of the option or the property subject to the option, with interest due and payable every ninety days and principal payoffs from the first 300 residential lots sold.

As of March 31, 2008, the developer reports that there have been no commercial spaces sold or leased within the development.

Table III-5 in the following page provides a summary of sales and lease of the commercial property.

Table III-5
Status of Lease and Sale of Commercial Property

Property Type	Estimated Square Footage at Completion	Square Footage Sold	Square Feet Closed	Square Feet Leased
General Commercial	210,900	0	0	0
Office Retail	178,100	0	0	0
Total	389,000	0	0	0

E. STATUS OF FINANCING

According to Limited Offering Memorandum, the developer estimated the cost of improvements required to complete the development to be approximately \$129,059,960. The city and the developer procured public improvements, which total \$37,561,581, were being financed with approximately \$26,483,034 in proceeds from the 2006 Bonds and approximately \$11,000,000 in grant reimbursements from the Maryland Department of the Environment. Water and sewer capacity fees on new residential development outside the special tax district may also be used to finance public improvements to the extent that those developments utilize capacity with the wastewater treatment plant. Approximately \$91,576,926 of the improvements not funded with the proceeds of the 2006 Bonds were expected to be funded with grant reimbursements and private financing by the developer.

According to the Limited Offering Memorandum, the developer received a loan commitment from M&T Mortgage Corporation for a \$30,000,000 credit facility (the "Bank Loan"), which was expected to close before December 31, 2006. The bank loan was to be secured by a lien on real estate, including real estate within the district, and personal guaranty for Mr. Pleasants. Total advances under the Bank Loan were limited to \$46,500,000. This loan was expected to be sufficient to meet day-to-day cash flow requirements in excess of other sources and provide a source of issuing letters of credit for the development. The bank loan was expected to have a maturity of 36 months with two additional 12-month extensions, provided the bank loan has not been in default. The bank loan was expected to be repaid with the proceeds from residential building lot and commercial/office pad sales.

As March 31, 2008, the developer reports that a revolving development loan and letter of credit facility ("M&T Facilities") with M&T Mortgage Corporation were finalized on February 27, 2007. The M&T Facilities are comprised of the following:

- \$26,000,000 Revolving Development Loan with total advances of \$46,700,000 permitted during the term.
- \$15,000,000 Revolving Letter of Credit Facility established for the purpose of giving guarantees to the city securing the developer's obligations under Public Works Agreements related to the development.

According to the developer, the M&T Facilities carry a term of 36 months maturing on February 27, 2010, with two one year extension options. The M&T Facilities are secured by senior and junior indemnity

pledges of real estate, which include all the real estate owned by Brunswick Crossing, LLC within the boundaries of the district. Full repayment of the M&T Facilities is guaranteed by Brunswick Crossing, LLC., and is further credit enhanced by a personal guaranty by William D. Pleasants, Jr.

The M&T Facilities will be repaid during the term from the proceeds for residential building lot and commercial office pad sales at the greater of the rate of approximately 48 percent of the contract value of each lot sale or 45 percent of the gross residential or commercial proceeds.

As of March 31, 2008, the developer reports that the outstanding M&T Revolving Loan was \$2,002,898. The developer also reports that there was no outstanding balance on M&T Credit Facility Loan.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2006 Bonds is Manufacturers and Traders Trust Company (M&T Bank). The initial account balances, interest paid, additional proceeds, disbursements, and account balances for each fund as of March 31, 2008, are shown in the following table:

Table IV-1
Summary of Transactions

	Initial Deposits	Disbursements	Additional Proceeds	Interest Paid	Balance 03/31/08
Bond Fund	\$0	\$2,546,239	\$2,623,708	\$3,724	\$81,193
Capitalized Interest Account	\$4,720,828	\$2,475,629	\$0	\$298,999	\$2,544,198
Improvement Fund	\$26,483,034	\$18,303,581	\$10,018,933	\$1,484,993	\$19,683,379
Cost of Issuance Account	\$926,579	\$931,765	\$0	\$5,186	\$0
Reserve Fund	\$3,386,843	\$206,514	\$0	\$206,760	\$3,387,090
Administrative Expense Fund	\$198,066	\$31,794	\$2,344	\$13,630	\$182,246
Total	\$35,715,350	\$24,495,521	\$12,644,985	\$2,013,291	\$25,878,105

The additional proceeds to the Bond Fund represent transfers from the Capitalized Interest Account and the investment income from the Reserve Fund to pay debt service. The additional proceeds to the Improvement Fund represent proceeds from the Maryland Department of the Environment for the payment of public improvements. The additional proceeds to the Administrative Expense Fund represent transfer of funds from the Cost of Issuance Account to pay administrative expenses. The disbursements from the Cost of Issuance Account represents payment of the cost associated with the issuance of the Series 2006 Bonds and transfer of residual balance to the Improvement Fund and Administrative Expense Fund. The disbursements from the Capitalized Interest Account represent transfer of proceeds to the Bond Fund for the payment of debt service. The disbursements from Improvement Fund were for the cost of public improvements. The disbursement from the Reserve Fund represents transfer of investment income to the Bond Fund to pay debt service. The disbursements from the Administrative Expense Fund were for administrative expenses.

The interest paid through March 31, 2008 does not include interest accrued but not yet paid. Bond proceeds in the Reserve Fund are invested in Bayerische Landesbank Repurchase Agreement earning 4.721 percent per year and maturing on July 1, 2009. The remaining bond proceeds are invested in money market obligations currently earning approximately 2.32 to 4.69 percent per year. Table IV-2 shows the approximate rates of return on the investments.

Investment income in the Reserve Fund in excess of the Reserve Requirement shall be transferred into the Bond Fund for the payment of debt service on the Series 2006 Bonds. Investment income in the Improvement Fund will remain in that fund to be used for the purposes of that fund. Investment income on the Cost of Issuance Account will remain in that account and be used for the purposes of that account for a period of ninety days after the bonds are issued, at which time, any remaining balance will be transferred to the Administrative Expense Fund. Investment income from the Bond Fund and the Capitalized Interest Account shall be retained in the Bond Fund and the Capitalized Interest Account, respectively, to be used for purposes of such fund and account. Investment income in the Administrative Expense Fund will remain in that fund and be used for the purposes of that fund.

Table IV-2

Account	Rate of Return
Reserve Fund	4.72%
Improvement Fund	2.32%
Bond Fund	2.32%
Capitalized Interest Account	4.69%
Admin Expense Fund	2.32%

V. AUTHORITY OPERATIONS

A. LEVY OF SPECIAL TAXES

Special taxes have been levied in an amount equal to the Maximum Special Tax for each parcel each year from the 2006-2007 tax year through the Termination Date. The Termination Date is defined in the RMA as the date in which special taxes shall not be collected on any parcel, which is the earlier of the repayment or defeasance of the bonds or the thirtieth tax year after the tax year in which bonds were issued. Commencing with the Commencement Date, which is defined as the first tax year after the bonds are issued, and for each following tax year through the Termination Date, the City of Brunswick shall determine the Special Tax Requirement and shall collect the special tax in an amount up to the Maximum Special Tax for each parcel until the aggregate amount of the special taxes collected is equal to the Special Tax Requirement for the Brunswick Crossing Special Taxing District, pursuant to Special Ordinance Number 431 adopted by the Mayor and the Council of Brunswick on October 11, 2005.

(i) Assignment to Parcel Categories

According to the Rate and Method (RMA) of Apportionment of the Special Taxes of the Brunswick Crossing Special Taxing District, special taxes are to be levied each tax year based on the classification of property in the district. The RMA specifies the assignment of the following parcel categories for the district:

- I. Public Property
- II. Non-Benefited Property
- III. Taxable Property
 - A. Developed Property
 - 1. Land Use Class 1
 - 2. Land Use Class 2
 - 3. Land Use Class 3
 - 4. Land Use Class 4
 - 5. Land Use Class 5
 - B. Undeveloped Property
 - 1. Land Use Class 1
 - 2. Land Use Class 2
 - 3. Land Use Class 3
 - 4. Land Use Class 4
 - 5. Land Use Class 5

Public property and non-benefited property are not subject to special taxes. Undeveloped and developed property are subject to special taxes, as described in the balance of this report.

Parcels are categorized each fiscal year based on their status as of the Classification Date, which is defined in the RMA as a date each year determined by the administrator as a date that provides sufficient time for the calculation, billing and collection of the special taxes. For fiscal year 2008-2009, property is classified based on its status as of February 1, 2008. Developed property is property (*i.*) for which a building permit has been issued as of the classification date or (*ii.*), which is subject to an owner's association by the filing of a supplemental declaration (this is private property subject to an association, not property owned by an association) or similar document in the land records of Frederick County. (A supplemental declaration or similar document shall not include a master owner's association declaration that merely puts future owners on notice that such property will be annexed into the owner association at a future date.) Undeveloped property includes all taxable property that is not developed property.

As of February 1, 2008, there had been no building permits issued nor had there been any supplemental declarations or similar documents recorded with Frederick County subjecting property within the district to an owner's association. Accordingly, for the purpose of levying the special tax, all of the

property is considered and has been classified as Undeveloped Property for fiscal year 2008-2009 and is subject to the Undeveloped Property Special Tax Rate.

Maximum Special Tax Rates

According to the RMA, on each July 1, commencing July 1, 2007, the Maximum Special Tax Rates shall be increased to 102 percent of the respective Maximum Special Tax Rate in effect in the previous tax year. The Maximum Special Tax Rates for the prior tax year and fiscal year 2008-2009 are shown in Table A. As shown in Table A, the Maximum Special Tax Rates for fiscal year 2008-2009 are 102 percent of the respective Maximum Special Tax Rates in effect in the previous tax year.

**Table V-1
Maximum Special Tax Rates**

Parcel Categories	Maximum Special Tax Rates Prior Year	Maximum Special Tax Rates Fiscal Year 2008-2009
Land Use Class 1	\$1,377.00	\$1,404.54
Land Use Class 2	\$1,262.76	\$1,288.02
Land Use Class 3	\$1,022.04	\$1,042.48
Land Use Class 4	\$798.66	\$814.63
Land Use Class 5	\$899.64	\$917.63

Special Tax Requirement

Special taxes are to be collected in an amount equal to the special tax requirement. Prior to the completion of construction, the special tax is to be collected on each parcel of developed property at 91 percent of the applicable Maximum Special Tax for such parcels. This applies even if the developed property special taxes exceed the special tax requirement. According to the RMA, the special tax requirement is equal to:

- (1.) debt service and other costs on the bonds to be paid from special taxes collected in such tax year
- (2.) administrative expenses to be incurred in the tax year or incurred in any previous tax year not paid by the district,
- (3.) costs of authorized services of the district,
- (4.) any amount required to replenish the Reserve Fund established in association with bonds issued for the district,
- (5.) a contingency amount which may be equal to the estimated delinquencies expected in payment of the special tax not otherwise taken into account, and
- (6.) the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash), less
- (7.) any credits available as a result of funds and accounts held under the Trust Indenture.

The bond proceeds available in the Capitalized Interest Account, Reserve Fund investment income and excess funds available in the Administrative Expense Fund are estimated to exceed debt service and the other expenses of the district. As a result, the special tax requirement for fiscal year 2008-2009 is zero and special taxes will not be collected in fiscal year 2008-2009. Each of these numbers is explained in the following sections.

Debt Service

Debt service includes the interest payments on the Series 2006 Bonds due on January 1, 2009 and

July 1, 2009. Each semi-annual interest payment on the bonds is \$998,525.00. This is based on an outstanding principal amount of \$36,310,000.00 earning 5.50 percent annually. There is no principal amount due on July 1, 2009. As a result, total debt service is \$1,997,050.00.

Table V-2
Special Tax Requirement
Fiscal Year 2008-2009

Debt Service:	
Interest on January 1, 2009	\$998,525
Interest on July 1, 2009	\$998,525
Principal on July 1, 2009	\$0
<i>Sub-total debt service</i>	\$1,997,050
Administrative Expenses	\$68,537
<i>Sub-total expenses</i>	\$2,065,587
Bond Fund	(\$0)
Reserve Fund Investment Income	(\$159,893)
Available Capitalized Interest Account	(\$1,808,930)
Available Administrative Expense and Improvements Funds	(\$96,764)
<i>Sub-total revenues</i>	(\$2,065,587)
Special Tax Requirement	\$0

Administrative Expenses

Administrative expenses include the trustee, the administrator, and the expenses of the city related to the district. The annual charge of the trustee is estimated to be \$5,100.00. The annual charge of the administrator is estimated to be \$15,810.00, plus an additional \$1,785.00 for the annual arbitrage rebate calculation. Increasing these amounts for inflation, sub-total administrative expenses for fiscal year 2008-2009 are estimated to be \$23,148.90. The expenses of the city are estimated to be \$45,388.00. The expenses of the city are not increased for inflation and a portion of the expenses of the city can be paid from the Improvement Fund. As a result, total administrative expenses are equal to \$68,536.90.

As of May 31, 2008, the balance in the Improvement Fund was \$19,773,922.91. As of May 31, 2008, the balance in the Administrative Expense Fund was \$194,538.90. Administrative expenses have been pre-funded with bond proceeds for the first three years. As a result, there are more than sufficient funds available to pay administrative expenses for fiscal year 2008-2009 and a portion of the Administrative Expense Fund balance in the amount of \$28,226.82 may be transferred from the Administrative Expense Fund to the Bond Fund to pay debt service for fiscal year 2008-2009. Accordingly, total available funds available to pay administrative expenses and a portion of the debt service for fiscal year 2008-2009 from the Administrative Expense Fund and Improvement Fund is \$96,763.72 (\$68,536.90 + \$28,226.82 = \$96,763.72).

Bond Fund

As of May 31, 2008, the balance in the Bond Fund was \$81,513.08. The balance in the Bond Fund will be used to pay a portion of the debt service on July 1, 2008. As a result, there will be no funds available in the Bond Fund to pay debt service in fiscal year 2008-2009.

Reserve Fund Investment Income

As of May 31, 2008, the balance in the Reserve Fund was \$3,387,090.80, which included the reserve requirement of \$3,386,843.36 and \$247.44 in investment income. The Reserve Fund balance in excess of the

reserve requirement may be applied to pay a portion of the debt service on July 1, 2008. Bond proceeds in the amount of \$3,386,843.00 are invested in a Bayerische Landesbank Repurchase Agreement (REPO) earning 4.721 percent per annum and maturing on July 1, 2009. Based on the bond proceeds invested in the REPO, annual investment income is estimated to be \$159,892.86, which may be applied to pay debt service and administrative expenses in fiscal year 2008-2009.

Available Capitalized Interest

The application of the bond proceeds deposited into the Capitalized Interest Account is shown in the table below. As of May 31, 2008, the balance in the Capitalized Interest Account was \$2,544,756.99. Of this amount \$142,338.64 is invested in a money market earning an estimated 2.00 percent, \$92,407.45 is invested in a Federal Home Loan Bank Note earning 2.825 percent that matures on June 30, 2008, \$866,192.50 is invested in a Federal Home Loan Bank Note earning 5.89 percent that matures on June 30, 2008, \$479,635.20 is invested in a Federal National Mortgage Association Discount Note earning 3.00 percent that matures on December 24, 2008, \$470,487.50 is invested in a Federal Home Loan Bank Note earning 4.09 percent that matures on December 30, 2008, \$266,653.50 is invested in a Federal National Mortgage Association Discount Note earning 6.375 percent per annum that matures on June 15, 2009 and \$277,042.20 is invested in a Federal Home Loan Bank Note earning 4.00 percent that matures on June 22, 2009.

**Table V-3
Application of Capitalized Interest**

Balance at May 31, 2008	(\$2,544,757)
Interest thru June 30, 2008	(\$58,094)
Reserve Fund surplus at May 31, 2008	(\$247)
Interest on Reserve Fund to June 30, 2008	(\$79,946)
Bond Fund balance at May 31, 2008	(\$81,513)
Balance at June 30, 2008	(\$2,764,558)
Semi-annual debt service interest payment on July 1, 2008	\$998,525
Balance at July 2, 2008	(\$1,766,033)
Interest thru December 30, 2008	(\$29,856)
Interest thru June 30, 2009	(\$13,040)
Available Capitalized Interest Account	(\$1,808,930)

Based on the investments described above, \$58,094.43 is estimated to be earned on the Capitalized Interest Account through June 30, 2008, \$29,856.42 through December 30, 2008 and \$13,040.42 through June 30, 2009.

As of May 31, 2008, the balance in the Bond Fund was \$81,513.18. The balance in the Bond Fund will be used to pay a portion of the debt service on July 1, 2008.

As described above, the balance in the Reserve Fund as of May 31, 2008 was \$3,387,090.80, which included the reserve requirement of \$3,386,843.36 and \$247.44 in investment income. The Reserve Fund balance in excess of the reserve requirement may be applied to pay a portion of the debt service on July 1, 2008. Bond proceeds in the amount of \$3,386,843.00 are invested in a Bayerische Landesbank Repurchase Agreement (REPO) earning 4.721 percent per annum and maturing on July 1, 2009. Based on the bond proceeds invested in the REPO, \$79,946.43 in investment income is estimated to be earned on the Reserve Fund through June 30, 2008, which may be applied to pay debt service and administrative expenses on July 1, 2008.

The debt service payment due on July 1, 2008 is \$998,525.00. Summing the available funds less the July 1, 2008 debt service payment results in an estimated balance of \$1,808,930.32 to be made available to pay debt service in fiscal year 2008-2009.

Summary

The special tax requirement for fiscal year 2008-2009 is zero. As a result, the special tax to be collected on undeveloped property is zero.

B. DELINQUENT SPECIAL TAXES

There are no special taxes collected for fiscal year 2007-2008. As a result, there are no collection efforts underway at this time.

C. COLLECTION EFFORTS

There are no collection efforts underway at this time.

VI. AUTHORITY FINANCIAL INFORMATION

The information provided in this section is provided to meet the requirements on the annual report as provided for in Section 2(a) of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

A. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT OF ASSESSMENTS

There have been no changes to the Rate and Method of Apportionment of Assessments.

B. ASSESSED VALUE AND SPECIAL TAX LEVIED

Table VI-I below provides the property assessed values as provided by Maryland Department of Assessments and Taxation as of January 1, 2008.

Table VI-I
Assessed Value

Owner	SDAT Acreage	Assessed Value	Special Tax Levy FY08-09
Brunswick Crossing, LLC	241.79	\$386,422	\$0.00
Brunswick Crossing, LLC	205.3	\$518,900	\$0.00
Brunswick Crossing, LLC	99.46	\$49,730	\$0.00
Brunswick Crossing, LLC	1.15	\$359,802	\$0.00
Total	547.7	\$1,314,854	\$0.00

C. SPECIAL TAXES BY LANDOWNER

There are no special taxes levied for fiscal year 2008-2009. As a result, there is no list of taxpayers representing more than five percent of the levy of Special Taxes for calendar year 2008-2009.

D. AMENDMENTS TO LAND USE ENTITLEMENTS

There have been no significant amendments to land use entitlements or legal challenges to the construction of the project or the development of which the administrator has actual knowledge.

E. STATUS OF PUBLIC IMPROVEMENTS

The status of the improvements is more fully outlined in Section III, "Status of Development," of this report.

F. DELINQUENT SPECIAL TAXES

There were no special taxes levied for fiscal year 2007-2008. As a result, there are no delinquent special taxes at this time.

VII. SIGNIFICANT EVENTS

A. DEVELOPER'S SIGNIFICANT EVENTS

Developer's significant events generally include the following:

- (i) failure to pay real property taxes (including the special taxes) levied within the district on a parcel owned by the developer or any affiliate of the developer;
- (ii) material damage to or destruction of any development or improvements within the district owned or being developed by the developer or any affiliate of the developer;
- (iii) material default of the developer or any affiliate of the developer, on any loan with respect to the construction or permanent financing of development of the district.
- (iv) material default of the developer or any affiliate of the developer, on loan secured by property within the district owned by the developer or any affiliate of the developer;
- (v) the filing of the developer or any affiliate of the developer, or any owners of more than 25% interest in the developer in bankruptcy or any determination that the developer, or an owner of an interest in the developer, or a subsidiary of the developer, or any affiliate of the developer, is unable to pay its debts as they become due; and
- (vi) the filing of any lawsuit against the developer or any affiliate of the developer with the claim for damages in excess of \$1,000,000 or which may adversely affect the completion of development of the project, or litigation in excess of \$1,000,000 or which would materially adversely affect the financial condition of the developer or any affiliate of the developer.

According to the developer, no significant events have occurred as of March 31, 2008.

B. LISTED EVENTS

The administrator is required to file a notice to the Municipal Securities Rulemaking Board, any Repository and each Notice Holder to report the occurrence of any of the following listed events of which the administrator has actual knowledge.

Listed events include the following

- (i) delinquency in payment when due of principal of or interest on the bonds;
- (ii) occurrence of any event of default under the indenture (other than as described in clause (i) above);
- (iii) amendment to the indenture modifying the rights of the bondowners;
- (iv) giving of notice of optional or unscheduled redemption of bonds;
- (v) defeasance of the bonds or any portion thereof;
- (vi) any change in ratings, if any, on the bonds;
- (vii) adverse tax opinions or events affecting the tax-exempt status of the bonds;
- (viii) any unscheduled draw on any credit enhancement reflecting financial difficulties;

- (ix) any change or substitution in the provider of any credit enhancement reflecting financial difficulties;
- (x) the release, substitution or sale of property securing repayment of the bonds (including property leased, mortgaged or pledged as security); and
- (xi) continuing disclosure event notices provided to the administrator by the developer as more particularly set forth in the Developer's Continuing Disclosure Agreement.

As of July 16, 2008, the administrator is not aware of occurrence of any of the above listed events.