

# ANNUAL CONTINUING DISCLOSURE REPORT

For the Period Ending December 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.**

February 24, 2009

# ANNUAL CONTINUING DISCLOSURE REPORT

For the Period Ending December 31, 2008

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## *I. UPDATED INFORMATION*

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Information provided below is updated from the Limited Offering Memorandum as of December 31, 2008:

- As of December 31, 2008, the developer reports that \$20,462,864 has been expended for construction of the public improvements, representing 54.2 percent of the total budget for public improvements.
- As of December 31, 2008, the developer reports that the amount previously reported as expenditures for improvements included in the Dutchmen's Creek Road line item was an accounting error. As a result, the error was corrected in early 2008 and the amount spent to date on improvements for Dutchmen's Creek Road is zero.
- Pursuant to Secured Fund Request No. 004, the "Water Tank and Associated Improvements" costs have been increased by \$15,000. As a result, the "Water Tank and Associated Improvements" have increased from \$3,148,620 to \$3,163,620.
- In a Fourth Amendment to the Operating Agreement executed April 17, 2007, Pleasants Enterprises, Inc., a Maryland corporation with William D. Pleasants, Jr. as its president, was approved as the manager of Brunswick Crossing, LLC, replacing William D. Pleasants, Jr.
- As of December 31, 2008, the developer reports that the construction of the wastewater treatment plant, water tower and associated pump station was complete and working as of August 2008.
- As of December 31, 2008, the developer reports that the design of water treatment plant expansion and the associated remote monitoring system is continuing. Subsequent review of the water treatment plant site presents the opportunity to incorporate the presedimentation basin adjacent to the existing water treatment plant.
- As of December 31, 2008, the design of the raw water presedimentation basin was changed to the water treatment plant site.
- As of December 31, 2008, the design for the presdesimenation basin is approximately 80 percent complete and is being incorporated with the water treatment plant drawings and approvals by the Soil Conservation District, Maryland Department of the Environment, Frederick County and the City of Brunswick.
- As of December 31, 2008, MSHA has approved the geometric design of Route 17 Gateway Road and US Route 340 – Westbound Interchange improvements and hydraulics. Both are awaiting approval of the final (fourth) submission by the Maryland State Highway Administration.
- As of December 31, 2008, Lander Creek Drive is awaiting first submittal comments from MSHA.
- As of December 31, 2008, the developer reports Monocacy River Parkway, one of three Jefferson Pike Road entrances, will be designed, permitted and constructed in conjunction with the Phase III development.

- As of December 31, 2008, the developer reports Potomac View Parkway, one of three Jefferson Pike Road entrances, will be designed, permitted and constructed in conjunction with the Phase IV development.
- As of December 31, 2008, the developer reports that the design of the 12" water supply main from the water treatment plant has been approved by the Soil Conservation District, Frederick County and the City of Brunswick. According to the developer, construction is underway.
- As of December 31, 2008, construction of the 16" water supply main from the water tower to Brunswick Crossing is underway and is approximately 60 percent complete.
- As of December 31, 2008, construction of the on-site sewer outfall is complete and construction of the off-site sewer outfall is 10 percent complete.
- As of December 31, 2008, procurement of all required outfall sewer easements has been completed.
- The developer reports the traffic study and overall improvement plans were conditionally approved by the MSHA in July 2007 and fully approved on October 23, 2008.
- As of December 31, 2008, the proposed number of units for Phase I decreased from 241 to 230. Additionally, the proposed number of units for Phase II increased from 256 to 267. The total number of proposed residential units remains at 1,505.
- As of December 31, 2008, the developer reports that the delivery of the first section of model home lots is anticipated in February 2009, with production lots estimated for delivery shortly thereafter. According to the developer, the grand opening of the model home park is anticipated for late spring/summer of 2009. As of December 31, 2008, the developer also reports first recording of plats is anticipated for late February, 2009.
- As of December 31, 2008, the developer reports that the outstanding M&T Revolving Loan was \$5,473,445, which includes accrued interest of \$130,143. through December 31, 2008. The developer also reports that the outstanding balance on M&T Letter of Credit Facility was \$3,339,965 as of December 31, 2008. The total outstanding M&T Revolving Loan and Letter of Credit Facility was \$8,813,410 for December 31, 2008.
- As of December 31, 2008, the Mayor and the Council granted approval of the MXD overlay development option on November 25, 2008. It is anticipated that a Preliminary Plan submission will be made in Spring 2009 with subsequent plan approval in Summer 2009.

## *II. INTRODUCTION*

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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 proceedings 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.

In a Fourth Amendment to the Operating Agreement, executed April 17, 2007, Pleasants Enterprises, Inc., a Maryland corporation with William D. Pleasants, Jr. as its president, was approved as the manager of Brunswick Crossing, LLC, replacing William D. Pleasants, Jr. Formerly, William D. Pleasants, Jr. was the manager of Brunswick Crossing, LLC.

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 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 December 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**

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#### **A. OVERVIEW**

The development is a master-planned, mixed-use development on approximately 552.7 acres located within the City of Brunswick, Maryland. 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 for the Brunswick Crossing Special Taxing District 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 remainder 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 a joint workshop with the Planning Board, and Mayor and Council occurred in July 2008 to discuss the option of utilizing the MXD overlay development option. Based on support received at this hearing, formal application for the MXD overlay was made to the Planning Commission, which in October 2008 recommended approval. The application was then heard by the Mayor and the City Council on November 25, 2008, who then granted approval of this MXD overlay development option. It is anticipated that a Preliminary Plan submission will be made in Spring 2009 with subsequent plan approval in Summer 2009.

The MXD overlay development option permits the use of land as described by the GC, OR, OS I-1 Density, Medium Density and High Density Residential Zoning Districts and Quasi-Public Land Use. Prior to the MXD overlay development option, the development stipulations were outlined by the PUD overlay development option, which allowed for RS, R-1 and R-2 Zoning Districts and Quasi-Public Land Use.

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 developer reports that the design of water treatment plant expansion and the associated remote monitoring system is continuing. Subsequent review of the water treatment plan site presented the opportunity to incorporate the presedimentation basin adjacent to the existing water treatment plant and thereby incorporate economies of shared infrastructure, as well as construction and inspection costs. As of December 31, 2008, the design of the raw water presedimentation basin was changed to the water treatment plan site and is approximately 80 percent complete and is being incorporated with the water treatment plant drawings and approval.

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.

Procurement of all required outfall sewer easements has been completed. As of December 31, 2008, the developer reports that the design of the 12” water supply main from the water treatment plant is complete and fully approved. The developer also reports that the design of 16” water supply main from the water tower to Brunswick Crossing project is complete and approved as of first quarter 2008.

The developer reports that the traffic study and overall improvement plan were conditionally approved by the Maryland State Highway Administration (MSHA) in July 2007 and fully approved on October 23, 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 December 31, 2008, MSHA has approved the geometric design of Route 17 Gateway Road and US Route 340 – Westbound Interchange improvements and hydraulics. Both are awaiting approval of the final (fourth) submission. As of December 31, 2008, Lander Creek Drive, one of the three Jefferson Pike Road entrances, is awaiting first submittal comments from MSHA.

The developer reports that site plans for Phase I Section IA, IB & IC, and the 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. As of December 31, 2008, mass grading for Phase IA, IB and the community center is complete. The developer reports on-site utility work (water, sewer, and storm drain) for Section IA is complete and road curb and gutter and paving are 90 percent complete. Utility construction in Section IB is 60 percent complete.

As of December 31, 2008, the number of anticipated units for Phase I decreased from 241 to 230.

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

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

| <b>Permit/Approval</b>   | <b>Status of Approval</b> | <b>Date of Approval</b> | <b>Permitting Agency</b>                       |
|--|---------------------------|-------------------------|--|
| <b>Water &amp; Sewer</b>   |                           |                         |  |
| 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  | Approved                  | November 15, 2007       | SCD, Frederick County & City Brunswick         |
| Raw Water Presedimentation Basin                                 | In progress               |                         | MDE, SCD, Frederick County & City of Brunswick |
| Local Sewer Outfall  | Approved                  |                         | SCD, Frederick County & City of Brunswick      |
| <b>Roadway &amp; Trails</b>                                      |                           |                         |  |
| MD 340 Westbound Interchange                                     | In progress               |                         | MSHA   |
| Intersection of MD 464 & 9th Ave Central Avenue                  | Pending                   |                         | MSHA   |
|  | 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   |
| <b>Jefferson Pike Road Entrances</b>                             |                           |                         |  |
| Lander Creek Drive   | In progress               |                         |  |
| Monocacy River Parkway   | Pending                   |                         |  |
| Potomac View Parkway   | Pending                   |                         |  |
| <b>Site Improvements</b>   |                           |                         |  |
| <b>Overall Site Plan Permits</b>                                 |                           |                         |  |
| 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            |
| <b>Phase I (230 Units)</b>                                       |                           |                         |  |
| 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                               |

| <b>Permit/Approval</b>             | <b>Status of Approval</b> | <b>Date of Approval</b> | <b>Permitting Agency</b>                 |
|------------------------------------|---------------------------|-------------------------|--|
| 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 |
| Phase I Record Plats               | In progress               |                         | SCD, Frederick County, City of Brunswick |
| <b><i>Phase II (267 Units)</i></b> |                           |                         |  |
| Phase II Site Plan                 | In progress               |                         | 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.

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.

As of December 31, 2008, the developer reports that the construction of wastewater treatment plant is complete with the plant functioning as designed.

As of December 31, 2008, the developer reports that the design of water treatment plant expansion and the associated remote monitoring system is continuing. Subsequent review of the water treatment plan site presented the opportunity to incorporate the presedimentation basin adjacent to the existing water treatment plant and thereby incorporate economies of shared infrastructure, as well as construction and inspection costs. Completion of the water treatment plan expansion and the presedimentation basin is not required for the first development phase. As of December 31, 2008, the design of the raw water presedimentation basin was changed to the water treatment plan site and is approximately 80 percent complete and is being incorporated with the water treatment plant drawings and approval.

As of December 31, 2008, the developer reports that the design of the 12” water supply main from

the water treatment plant is complete and fully approved. According to the developer, the construction is underway and is approximately 75 percent complete. The developer also reports that the design of 16" water supply main from the water tower to Brunswick Crossing project is complete and approved as of first quarter 2008. As of December 31, 2008, construction is underway and is approximately 60 percent complete. The developer also reports that both off-site and on-site outfall design were completed and approved as of first quarter 2008. As of December 31, 2008, construction of the on-site sewer outfall is complete and construction of the off-site sewer outfall is 10 percent complete. Procurement of all required outfall sewer easements has been completed.

As of December 31, 2008, the developer reports that the construction of the water tower and associated pump station is complete. The water tower was put into service in early August 2008.

## **(ii) Roadways and Trails**

According to the engineer's report, the roadway network being constructed within the district 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 9<sup>th</sup> 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 Catocin Drive (now known as Dutchman's Creek Drive), which serves as the regional access to the commercial area. The developer reports the traffic study and overall improvement plans were conditionally approved by the MSHA in July 2007 and fully approved on October 23, 2008.

The developer reports that Little Catocin 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.

As of December 31, 2008, MSHA has approved the geometric design of Route 17 Gateway Road and US Route 340 – Westbound Interchange improvements and hydraulics. Both are awaiting approval of the final (fourth) submission.

The developer reports that the improvements for the Petersville Road entrance, Central Avenue improvements, MD Route 464 and 9<sup>th</sup> Avenue, are expected to be designed, permitted and constructed in conjunction with the Phase II development.

According to the developer, the design of Lander Creek Drive, one of the three Jefferson Pike Road entrances, is complete. As of December 31, 2008, Lander Creek Drive is awaiting first submittal comments from MSHA.

As of December 31, 2008, the developer reports Monocacy River Parkway, one of three Jefferson Pike Road entrances, will be designed, permitted and constructed in conjunction with Phase III development. According to the developer, Potomac View Parkway, one of three Jefferson Pike Road entrances, will be designed, permitted and constructed in conjunction with Phase IV development.

## **(iii) Bond Proceeds Expended for Public Improvements**

According to the Limited Offering Memorandum, public improvements 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-2 below.

Pursuant to Secured Fund Request No. 004, the “Water Tank and Associated Improvements” costs have been increased by \$15,000, as of December 31, 2008. As a result, the “Water Tank and Associated Improvements” have increased from \$3,148,620 to \$3,163,620.

As of December 31, 2008, the developer reports that the amount previously reported as expenditures for improvements included in the Dutchmen’s Creek Road line item was an accounting error. As a result, the error was corrected in early 2008 and the amount spent to date on improvements for Dutchmen’s Creek Road is zero.

As of December 31, 2008, the developer reports that \$20,462,864 has been expended for construction of public improvements, representing 54.2 percent 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 December 31, 2008.

**Table III-2**  
**Budget for Public Improvements**

| <b>Public Improvement</b>                                    | <b>Original Budget</b> | <b>Budget Change</b> | <b>Revised Budget</b> | <b>Spent to Date</b> | <b>Percent Complete</b> |
|--|------------------------|----------------------|-----------------------|----------------------|-------------------------|
| <b>City Procured Improvements:</b>                           |                        |                      |                       |                      |                         |
| <i>Infrastructure- Water and Sewer</i>                       |                        |                      |                       |                      |                         |
| Wastewater treatment plant                                   | \$15,253,765           | \$0                  | \$15,253,765          | \$14,967,882         | 98.1%                   |
| Water tower and associated improvements                      | \$2,943,029            | \$220,591            | \$3,163,620           | \$3,148,950          | 99.5%                   |
| Water treatment plant  | \$1,912,176            | \$0                  | \$1,912,176           | \$147,543            | 7.7%                    |
| Water mains  | \$2,560,320            | \$0                  | \$2,560,320           | \$813,180            | 31.8%                   |
| Sewer interceptor  | \$1,190,280            | \$0                  | \$1,190,280           | \$626,076            | 52.6%                   |
| Receiver, hardware and software for Remote monitoring system | \$33,120               | \$0                  | \$33,120              | \$0                  | 0.0%                    |
| Raw water presedimentation basin                             | \$1,433,700            | \$0                  | \$1,433,700           | \$34,521             | 2.4%                    |
| <b><i>Sub-total City Procured Improvements</i></b>           | <b>\$25,326,390</b>    | <b>\$220,591</b>     | <b>\$25,546,981</b>   | <b>\$19,738,152</b>  | <b>77.3%</b>            |
| <b>Developer Procured Improvements:</b>                      |                        |                      |                       |                      |                         |
| <i>Infrastructure- Water and Sewer</i>                       |                        |                      |                       |                      |                         |
| Local sewer outfall  | \$2,163,936            | \$0                  | \$2,163,936           | \$624,934            | 28.9%                   |
| <i>Infrastructure - Roadways</i>                             |                        |                      |                       |                      |                         |
| Petersville Road entrance                                    | \$385,011              | \$0                  | \$385,011             | \$3,730              | 1.0%                    |
| Jefferson Pike Road entrances                                | \$1,155,034            | \$0                  | \$1,155,034           | \$865                | 0.0%                    |
| Central Avenue improvements                                  | \$536,038              | \$0                  | \$536,038             | \$0                  | 0.0%                    |
| U.S. Route 340 - westbound interchange                       | \$546,000              | \$0                  | \$546,000             | \$25,432             | 4.7%                    |
| MDR 464 & 9 <sup>th</sup> Ave intersection                   | \$741,000              | \$0                  | \$741,000             | \$12,657             | 1.7%                    |
| MDR 17 Gateway   | \$4,146,390            | \$0                  | \$4,146,390           | \$57,094             | 1.4%                    |
| Dutchman's Creek Road  | \$312,000              | \$0                  | \$312,000             | \$0                  | 0.0%                    |
| <b><i>Sub-total Roadways</i></b>                             | <b>\$7,821,473</b>     | <b>\$0</b>           | <b>\$7,821,473</b>    | <b>\$99,778</b>      | <b>1.3%</b>             |
| Right-of-Ways & easements                                    | \$100,000              | \$0                  | \$100,000             | \$0                  | 0.0%                    |
| Trail system   | \$2,149,777            | \$0                  | \$2,149,777           | \$0                  | 0.0%                    |
| <b><i>Sub-total Developer Procured Improvements</i></b>      | <b>\$12,235,187</b>    | <b>\$0</b>           | <b>\$12,235,187</b>   | <b>\$724,712</b>     | <b>5.9%</b>             |
| <b>Total Bond Eligible Improvements</b>                      | <b>\$37,561,581</b>    | <b>\$220,591</b>     | <b>\$37,782,172</b>   | <b>\$20,462,864</b>  | <b>54.2%</b>            |

**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 December 31, 2008, the developer reports that the delivery of the first section of model home lots is anticipated in February, 2009, with production lots estimated for delivery shortly thereafter. According to the developer, the grand opening of the model home park is anticipated for late spring/summer of 2009. As of December 31, 2008, the developer also reports that recording of plats is anticipated for late February, 2009. Recordation of plats is allowed within ninety days prior to the completion of the water and sewer improvements.

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

**Table III-3**  
**Planned Development by Type**

| Development Type                        | Number of Lots/Units | Lot Width | Square Feet    |
|---|----------------------|-----------|----------------|
| <b>Residential Lots</b>                 |                      |           |                |
| 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                  |           |                |
| <b>Total - Residential</b>              | <b>1,505</b>         |           |                |
| <b>General Commercial (Square Feet)</b> |                      |           | <b>210,900</b> |
| <b>Office Retail (Square Feet)</b>      |                      |           | <b>178,100</b> |

\*Traditional Neighborhood Design

According to the developer, as of December 31, 2008, the proposed number of units for Phase I were decreased from 241 to 230. Additionally, the proposed number of units for Phase II was increased from 256 to 267. The total number of proposed residential units remains at 1,505.

Table III-4 below illustrates the revised residential development schedule for the site, as reported by the developer on December 31, 2008.

**Table III-4  
Planned Development by Phase**

| Residential Phase | Planned Number of Lots/Units |              | Expected Completion |
|-------------------|------------------------------|--------------|---------------------|
|                   | As of Issuance               | Revised      |                     |
| Phase I           | 241                          | 230          | Sep-09              |
| Phase II          | 256                          | 267          | Sep-10              |
| Phase III         | 375                          | 375          | Oct-11              |
| Phase IV          | 136                          | 136          | Dec-12              |
| Phase V           | 235                          | 235          | Jun-14              |
| Phase VI          | 262                          | 262          | Sep-15              |
| <b>Total</b>      | <b>1,505</b>                 | <b>1,505</b> |                     |

**(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 December 31, 2008, the 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 December 31, 2008, the developer reports that there have been no residential lots sold or closed with homebuilders. The developer reports a greater emphasis is being placed on the development of Brunswick Crossing's identity and its image as a destination community. As a result, the developer is continuing to plan to build the community center/visitor center during construction Phase I and have aggressively increased efforts to seek plan approval and permits for the construction of the commercial retail component.

Table III-5 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 December 31, 2008.

**Table III-5**  
**Status of Lots Sold and Lots Settled with Homebuilders**

| Unit Type                   | Planned Number of Lots/Units | Number of Lots Sold to Homebuilders | Number of Lots Settled with Homebuilders |
|-----------------------------|------------------------------|-------------------------------------|--|
| <b>Residential Lots</b>     |                              |                                     |  |
| 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  |
| <b>Total</b>                | <b>1,505</b>                 | <b>0</b>                            | <b>0</b>                                 |

\*Traditional Neighborhood Design

**(iii) Status of Home Sales and Closings**

As of December 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-6**  
**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 |
|------------------------------|------------------------------|---|------------------------------------|---|
| <b>Residential Lots</b>      |                              |   |                                    |   |
| 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                                       |
| <b>Total</b>                 | <b>1,505</b>                 | <b>0</b>  | <b>0</b>                           | <b>0</b>                                |

\* 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.

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 a 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 December 31, 2008, the developer reports that there have been no commercial spaces sold or leased within the development. The developer reports a joint workshop with the Planning Board, and Mayor and Council occurred in July 2008 to discuss the option of utilizing the MXD overlay option. Based on support received at this hearing, formal application for the MXD overlay was made to the Planning Commission, which in October 2008 recommended approval. The application was then heard by the Mayor and the Council on November 25, 2008, who then granted approval of this MXD overlay option. It is anticipated that a Preliminary Plan submission will be made in Spring 2009 with subsequent plan approval in Summer 2009. Negotiations with interested parties will then escalate with approval of the Preliminary Plan. Core Development Group, Inc., an affiliated company, is assisting with design and marketing of this component of the project.

Table III-7 in the following page provides a summary of sales and lease of the commercial property.

**Table III-7**  
**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                  |
| <b>Total</b>       | <b>389,000</b>                         | <b>0</b>            | <b>0</b>           | <b>0</b>           |

**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 Series 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 Series 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 by 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 had 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 December 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.

An initial draw was made upon the M&T Revolving Loan in the amount of \$205,372 to cover loan closing costs and additional draws for development work completed and inspection costs have been made in the aggregate amount of \$5,157,537.

As of December 31, 2008, the developer reports that the outstanding M&T Revolving Loan was \$5,473,445, which includes accrued interest of \$130,143.30 through December 31, 2008. The developer also reports that the outstanding balance on M&T Letter of Credit Facility was \$3,339,965, as of December 31, 2008. The total outstanding M&T Revolving Loan and Letter of Credit Facility was \$8,813,410 for December 31, 2008.

## 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 December 31, 2008, are shown in the following table:

**Table IV-1**  
**Summary of Transactions**

| Fund                         | Balance<br>12/31/07 | Disbursements      | Additional<br>Proceeds | Interest<br>Paid   | Balance<br>12/31/08 |
|------------------------------|---------------------|--------------------|------------------------|--------------------|---------------------|
| Bond Fund                    | \$129,044           | \$998,525          | \$1,029,757            | \$2,268            | \$162,545           |
| Capitalized Interest Account | \$3,412,180         | \$1,868,006        | \$0                    | \$96,005           | \$1,640,179         |
| Improvement Fund             | \$17,941,268        | \$5,404,688        | \$5,016,205            | \$1,431,932        | \$18,984,718        |
| Reserve Fund                 | \$3,400,256         | \$160,277          | \$0                    | \$146,993          | \$3,386,973         |
| Administrative Expense Fund  | \$182,412           | \$113,819          | \$12,860               | \$3,852            | \$85,304            |
| <b>Total</b>                 | <b>\$25,065,161</b> | <b>\$8,545,314</b> | <b>\$6,058,822</b>     | <b>\$1,681,051</b> | <b>\$24,259,719</b> |

- 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 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 disbursements 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 December 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 0.73 to 3.14 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 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<br>Return |
|------------------------------|-------------------|
| Reserve Fund                 | 4.72%             |
| Improvement Fund             | 3.14%             |
| Bond Fund                    | 0.73%             |
| Capitalized Interest Account | 2.06%             |
| Admin. Expense Fund          | 0.73%             |

## V. AUTHORITY OPERATIONS

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### A. LEVY OF SPECIAL TAXES

Special taxes will be 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**

| <b>Parcel Categories</b> | <b>Maximum Special Tax Rates Prior Year</b> | <b>Maximum Special Tax Rates Fiscal Year 2008-2009</b> |
|--------------------------|---|--|
| 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**

|   |               |
|---|---------------|
| <b>Debt Service:</b>                                    |               |
| 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) |
| <b>Special Tax Requirement</b>                          | <b>\$0</b>    |

#### *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)           |
| <b>Available Capitalized Interest Account</b>             | <b>(\$1,808,930)</b> |

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 2008-2009. 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***

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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 SPECIAL TAXES**

As of December 31, 2008, there have been no changes to the Rate and Method of Apportionment of Special Taxes.

### **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**

| <b>Owner</b>            | <b>SDAT Acreage</b> | <b>Assessed Value</b> | <b>Special Tax Levy FY08-09</b> |
|-------------------------|---------------------|-----------------------|---------------------------------|
| 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 | 1.14                | \$359,802             | \$0.00                          |
| <b>Total</b>            | <b>547.7</b>        | <b>\$1,314,854</b>    | <b>\$0.00</b>                   |

### **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**

As of December 31, 2008, 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***

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### **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 percent 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 December 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 February 24, 2009, the administrator is not aware of occurrence of any of the above listed events.