

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Quarter Ending June 30, 2008

Frederick County, Maryland
Special Obligation Bonds
(Urbana Community Development Authority)
\$30,000,000 Series 1998
\$26,513,000 Series 2004A
\$6,461,000 Series 2004B

Prepared by

MUNICAP, INC.

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**DEVELOPMENT ACTIVITY AND
DISCLOSURE REPORT**
For the Quarter Ending June 30, 2008

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I. UPDATED INFORMATION

Information updated for the quarter ending June 30, 2008 is as follows:

- As of June 30, 2008, the developer reports that an application has been filed for a land use amendment covering the ORI/MXD property owned by Urbana Corporate Center, LLC south of MD Route 80 and the Fannie Mae tract to allow construction of a retail outlet center of up to 665,000 square feet. According to the developer, the application is pending review by the applicable government entities.
- As of June 30, 2008, Monocacy reports that there have been 526 settlements between builders and homebuyers in Villages X, XI and part of XIV (formerly X) in Section M7, compared to 524 during the first quarter of 2008.
- As of June 30, 2008, Monocacy reports that there have been 158 settlements between builders and homebuyers in Village XII, compared to 153 during the first quarter of 2008.
- As of June 30, 2008, Monocacy reports that a total of 40 building permits have been issued for Village XIII. According to the developer, there have been 31 settlements between builders and homebuyers for this section, compared to 24 settlements during the first quarter of 2008.
- As of June 30, 2008, Monocacy reports that a total of 43 building permits have been issued for Village XV, and Ryan Homes closed on 33 homes with homebuyers, compared to 25 homes during the first quarter of 2008.
- As of June 30, 2008, Monocacy reports that development activity consisting of grading and utility installation in Villages XVI, XVII and XVIII has been completed. The developer also reports that base paving has been completed in Sections M18 and M20. According to the developer, paving in Section M19 is expected to be undertaken to meet market demand for lots in this section.
- As of June 30, 2008, Monocacy reports that 37 building permits have been issued for Town Center II. According to the developer there have been 27 settlements between builders and homebuyers, compared to 20 settlements during the first quarter of 2008.
- As of June 30, 2008, Urbana Highlands, LLC reports that base paving for Section P5 is complete. The developer also reports that construction of water and sewer infrastructure improvements is complete.
- As of June 30, 2008, Urbana Highlands, LLC reports that 354 building permits have been issued, which includes 149 large single-family detached homes, 133 small single-family detached homes and 72 townhomes, compared to 351 building permits during the first quarter of 2008.
- As of June 30, 2008, Urbana Highlands, LLC reports that a total of 347 lots have been settled with homebuilders, compared to 346 lots during the first quarter of 2008.
- As of June 30, 2008, Monocacy has reported that 1,974 lots have been settled with homebuilders, compared to 1,946 lots during the first quarter of 2008.

- As of June 30, 2008, Monocacy has reported that 1,977 building permits were issued by Frederick County, compared to 1,949 during the first quarter of 2008.
- As of June 30, 2008, Monocacy has reported that contracts with homebuyers have been executed for 1,993 units, compared to 1,953 units during the first quarter of 2008.
- As of June 30, 2008, Monocacy has reported that 1,932 homes have been settled with homeowners, compared to 1,900 units during the first quarter of 2008.
- Sales teams for Monocacy report an estimated 890 prospective buyers visited the model homes during the second quarter of 2008, which represents an 8 percent increase in the traffic experienced during the same quarter of 2007.
- According to Monocacy, the Branch Banking and Trust Company of Virginia (BB&T) acquisition and development loan and letter of credit balances, repayments, and amounts available to fund as of March 31, 2008 and June 30, 2008 are shown in the table below.

	<u>March 31, 2008</u>	<u>June 30, 2008</u>
Revolving loan funded	\$3,552,798	\$3,552,798
Amount repaid	\$120,670	\$449,441
Revolving loan balance	\$3,432,128	\$3,103,357
Letters of credit issued	\$4,281,118	\$6,440,608
Total borrowings & LOC	\$7,713,246	\$9,543,965
Maximum balance	\$15,000,000	\$15,000,000
Amount available to fund	\$7,286,754	\$5,456,035

- As of June 30, 2008, CDA draw requests were \$42,441,230, which is equal to 91.85 percent of the revised budget.
- Special taxes were levied in the amount of \$4,500,194 for fiscal year 2007-2008. As of November 13, 2008, the county has reported collecting special taxes for fiscal year 2007-2008 in the amount of \$4,499,249.60, which has been transferred to the trustee. According to the county, the delinquent special taxes are expected to be collected at tax sale if remains unpaid by May 2009 tax sale.
- Special taxes were levied in the amount of \$4,750,578 for fiscal year 2008-2009 and were to be collected on September 30 and December 31, 2008. As of November 13, 2008, the county has reported collecting special taxes in the amount of \$3,539,916.83.

II. INTRODUCTION

The Frederick County, Maryland Special Obligation Bonds (Urbana Community Development Authority) Series 1998 bonds were issued pursuant to a Trust Indenture between the county and Manufacturers and Traders Trust Company (formerly Allfirst Trust Company, National Association), dated as of November 1, 1998, and a Limited Offering Memorandum for the bonds dated November 6, 1998. The Frederick County, Maryland Special Obligation Bonds (Urbana Community Development Authority) Series 2004A bonds and the Frederick County, Maryland Subordinate Special Obligation Bonds (Urbana Community Development Authority) Series 2004B bonds were issued pursuant to a Trust Indenture between the county and Manufacturers and Traders Trust Company, dated as of November 1, 1998, as amended by a First Supplemental Trust Indenture, dated as of June 5, 2002, a Second Supplemental Trust Indenture, dated as of April 1, 2004, a Third Supplemental Trust Indenture, dated as of April 1, 2004, and a Limited Offering Memorandum for the bonds dated April 5, 2004.

The public improvements to be built with the proceeds of the Series 1998 Bonds include the following:

- (a) the design, construction, and alteration of interchange improvements to I-270, Maryland Route 80, and Maryland Route 355 located within and adjacent to the authority;
- (b) the design, construction, and alteration of interchange improvements to state highway intersections and collector roads within the authority; and
- (c) the design, construction, establishment, extension, and alteration of an adequate water and sewer system, including water and sewer lines from approximately three miles north of the authority to the boundary of and through the authority.

The public improvements to be built with the proceeds of the Series 2004A and B Bonds include the following:

- (a) two regional water storage tanks, an interim wastewater pumping station and subsequent regional wastewater pumping station within the ORI/MXD zoned property, and trunk water and sewer mains located within the PUD and ORI/MXD portions of the CDA;
- (b) the relocation of Maryland State Route 355; and
- (c) the construction of local streets, water and sewer lines, storm drain lines and structures, and other improvements located within the public rights-of-way.

The Urbana Community Development Authority consists of approximately 1,378 acres of land in Frederick County, Maryland and is located generally at the confluence of Interstate 270, Maryland Route 80, and Maryland Route 355. The property in the district is under development and is approved for up to 3,484 residential units, 221,000 square feet of retail space, 361,000 square feet of office space, and 2,000,000 square feet of office/research industrial and additional retail space. Development plans contemplate three discreet projects known as Villages of Urbana, Urbana Highlands, and Bennett Creek Center.

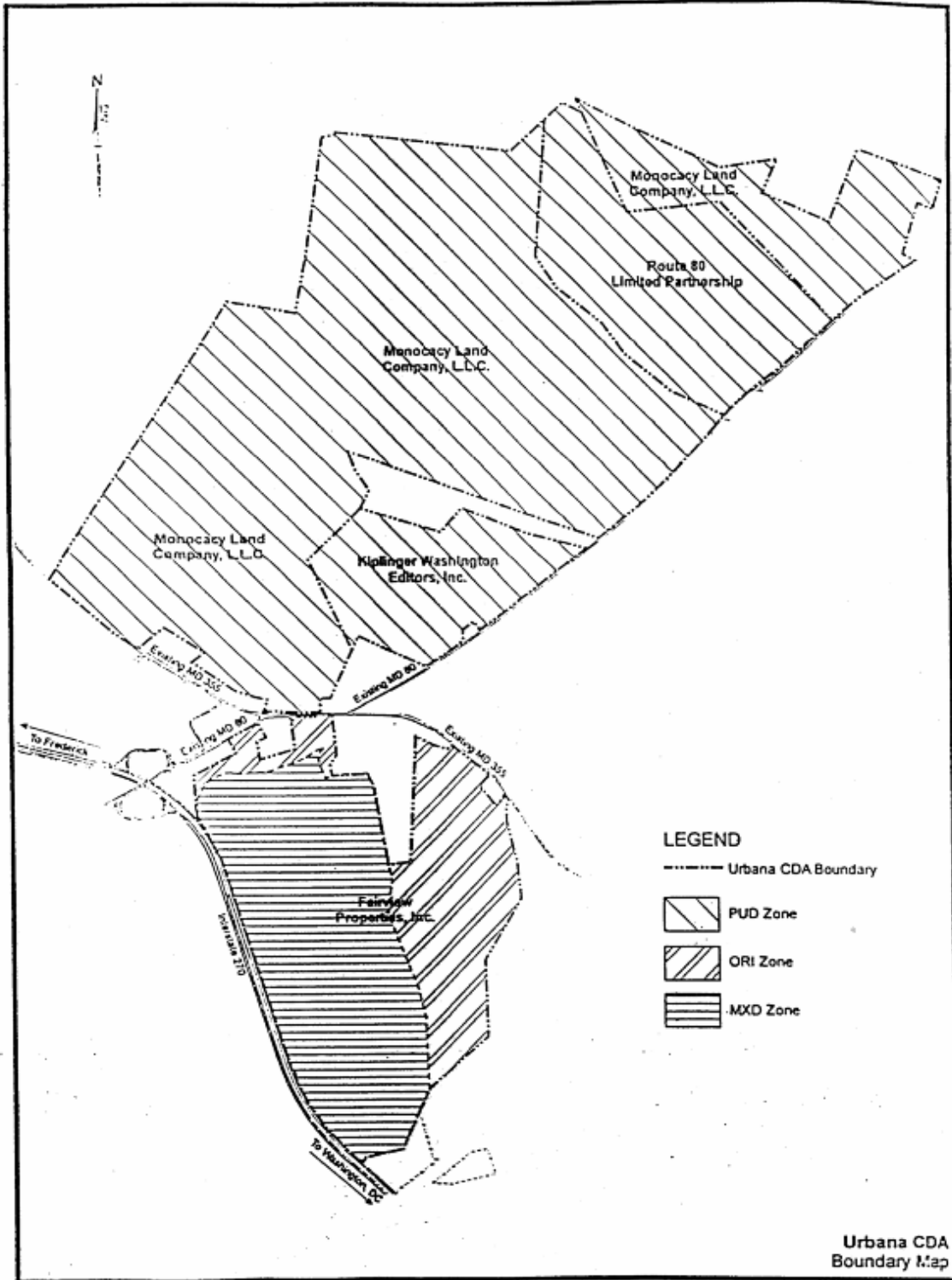
The developers of Villages of Urbana and Bennett Creek Center are Monocacy Land Company, LLC. On October 1, 2003, Urbana Communities, LLC, a Maryland Limited Liability Company and managing member of Monocacy, acquired all of the membership interests of Fairview Properties, Inc. and the Kiplinger Washington Editors, Inc. in Monocacy, LLC. As a result of this change in ownership, Monocacy acquired title of record to all of the real estate formerly owned by the Kiplinger Washington Editors within the boundaries of the CDA. Following the completion of this transaction, Urbana Communities, LLC became the sole and managing member of Monocacy. Concurrent with the transfer of interests in Monocacy, Urbana Corporate Center, LLC, a Maryland Limited Liability Company managed and controlled by the principals of Natelli Communities, acquired title to all of the real estate formerly owned by Fairview Properties, Inc. within the boundaries of the CDA. Urbana Corporate Center has contracted with Monocacy to provide management and development services for all of the lands within the CDA that it owns. Urbana Highlands is being developed by Urbana Highlands, LLC, which is the contract purchaser of the 167 acres of land owned within the special assessment district by Route 80 Limited Partnership, which – in turn – holds the land as an investment. Pleasants reports that as of July 14, 2005, Route 80 Limited Partnership was converted from a partnership to a Maryland Limited Liability Company named Urbana Highlands Development, LLC. All partnership interests have been assigned to Urbana Highlands Investments, Inc., sole member of Urbana Highlands Development, LLC. William D. Pleasants, Jr. is the President of Urbana Highlands Investments, Inc. There have been no changes to the entity structure of Urbana Highlands, LLC.

Special obligation bonds in the amount of \$30,000,000.00 (Series 1998) were issued in November 1998. Series 1998 bond proceeds in the amount of \$21,491,008.00 are to be used to construct the public improvements. Special obligation bonds in the amount of \$26,513,000.00 (Series 2004A) and subordinate special obligation bonds in the amount of \$6,461,000.00 (Series 2004B) were issued in April 2004. Series 2004A and B bond proceeds in the amount of \$26,951,536.00 are to be used to construct the public improvements. The bonds are payable solely from special taxes levied on taxable property within the authority. According to the Limited Offering Memorandum, the project is expected to be developed over approximately nineteen years.

Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is not required for the bonds. However, development activity and disclosure reports are being provided pursuant to continuing disclosure agreements between Monocacy Land Company, LLC, Urbana Highlands Development Limited Liability Company (formerly Route 80 Limited Partnership), and MuniCap, Inc. and between MuniCap, Inc., Frederick County, and M&T Trust (formerly Allfirst Trust). These reports are not provided pursuant to Rule 15c2-12. The information in this report on development activity and significant events 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 June 30, 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

The property in the CDA is being developed as the Villages of Urbana, Urbana Highlands, and Bennett Creek Center. The Villages of Urbana includes the PUD property owned or being developed by Monocacy Land Company, consisting of proposed land uses of 3,013 residential units, 216,000 square feet of retail space, and 361,000 square foot of office space. Urbana Highlands includes the PUD property owned by The Urbana Highlands Development Limited Liability Company (formerly Route 80 Limited Partnership), consisting of 471 proposed residential units. Bennett Creek Center includes the ORI and MXD property. Proposed land uses for Bennett Creek were recently revised to 563,500 square feet of retail space and 1,200,000 square feet of office flex space. Villages of Urbana and Bennett Creek Center are being developed by Monocacy Land Company. Urbana Highlands is being developed by Urbana Highlands, LLC with the Urbana Highlands Development Limited Liability Company and its general partner, Pleasants Enterprises, Inc., responsible for obtaining record plats.

A. STATUS OF GOVERNMENTAL PERMITS

(i). Background Information

Development in Frederick County generally requires the following permits or approvals from the county:

- Zoning
- Phase II plan
- Adequate public facilities testing (APFO)
- Subdivision plan
- Site plan
- Improvement plans
- Public works agreements
- Final record plat
- Building permits

APFO testing is done concurrently with Phase II plan approval. APFO testing includes phasing restrictions, which are more fully described in the engineer's report included in the Limited Offering Memorandum. Final improvement plans, record plats and building permits are administrative approvals: that is, they are approved if the relevant criteria are met and do not require discretionary approval of a legislative body. The approvals other than zoning are generally based on objective criteria. Adequate public facilities testing is the primary growth management tool in Frederick County and, other than zoning, is the most critical approval required to proceed with development. APFO testing is used to regulate the road, school, water and sewer capacity that must be available for new development to proceed. The property in the CDA is zoned and has received Phase II plan and adequate public facilities testing approval for the following development:

Residential dwelling units	3,484
PUD retail space	216,000 SF
PUD office space	361,000 SF
Office/research employment	1,200,000 SF
Convenience employment retail/services	31,500 SF
Restaurant	32,000 SF
Retail center	350,000 SF

Cinema
Hotel

4,000 seats
300 rooms

This description has been changed from the Limited Offering Memorandum, but is generally consistent with the MXD zoning for Bennett Creek Center as described therein. These uses, as described above, are based on the “Adequate Public Facilities Letter of Understanding” between Fairview Properties, Inc. and the Frederick County Planning Commission. A comparison of the description of the MXD zoning in the Limited Offering Memorandum and the letter of understanding is contained in the table below:

Table III-1
Land Use Changes

Land Use		Limited Offering Memorandum	Letter of Understanding
<u>LOM</u>	<u>LOU</u>		
Office/flex/R&D space	General office/research employment	1,200,000 SF	1,268,000 SF
Retail	Retail center	350,000 SF	250,000 SF
Restaurants	Restaurant	50,000 SF	30,300 SF
Hotels/motels	Hotel	300 rooms	300 rooms
Business services	Convenience employment retail/services	25,000 SF	34,900 SF
Recreation/entertainment	Data Center	90,000 SF	130,000 SF

A summary of the letter of understanding is included in the next section, “Government Permits Received Subsequent to Issuance of Bonds.”

The AFPO approval includes several restrictions, which are more fully described in the engineer’s report included in the Limited Offering Memorandum.

At the time the bonds were issued, subdivision plan approval had been received for all of the ORI property. The individual users of the ORI and MXD property will process their site plans and obtain their building permits. The improvement plans for the initial development of the ORI and MXD property were in design at the time the bonds were issued. The public works agreements for the ORI and MXD property will follow preparation of the improvement plans. Record plats will be prepared and recorded for the ORI and MXD parcels as property is sold. The APFO testing includes phasing restrictions, which are more fully described in the engineer’s report included in the Limited Offering Memorandum.

For the PUD property, at the time the bonds were issued, subdivision plan and site plan approval had been received for the initial phases of development. Improvement plans, public works agreements, and final plats for the initial phase of development of the PUD property was under review by the county.

In addition to the development approval process regulated by Frederick County, the proposed development within the CDA requires wetlands permits under the jurisdiction of the U.S. Army Corps of Engineers and Maryland Department of the Environment. Development requiring wetlands permits

includes the following:

- Extension of regional water and sewer trunk lines
- Monocacy PUD infrastructure
- Route 80 PUD infrastructure
- ORI infrastructure

The permit for the extension of the regional water and sewer line was approved at the time the bonds were issued. The other three permits were under final review.

(ii). Government Permits Received Subsequent to Issuance of Bonds

Frederick County has approved the improvement plans, public works agreements, and final plats for the initial development in the PUD. As of June 30, 2008, Monocacy has recorded final plats for the following amount of development:

Large single-family units	877
Small single-family units	488
Townhomes	1,067
Multi-family	506
Sub-total	2,938

Urbana Highlands has recorded plats for the following amount of development:

Large single-family units	167
Small single-family units	161
Townhomes	143
Sub-total	471

Concurrent with the plat recording, financial guarantees have been posted with Frederick County and/or the Maryland State Highway Administration. The financial guarantees cover 110% to 150% of the estimated costs of completing the public improvements in the form of CDA Secured Funds, Letters of Credit, Surety Bonds, Cash Escrows or a combination thereof.

During the fourth quarter of 1999, the Frederick County Planning Commission approved an amendment to the Villages of Urbana APFO, which shifted the deadline for recording plats from December 31 of each calendar year to June 30 of each subsequent year so as to better match the platting schedule with the anticipated need for lots.

On January 12, 2000, the Frederick County Planning Commission approved revisions to Monocacy's preliminary subdivision plan, which reflected zoning changes to a 354-acre parcel within the Bennett Creek Center. An ordinance adopted by the Board of County Commissioners of Frederick County on August 4, 1998, rezoned 211.6 acres of the 354 acre parcel in the Bennett Creek Center to MXD, allowing additional retail, restaurant, entertainment, and hotel uses. The ordinance required that Fairview Properties, Inc. obtain a revised traffic study to show the impact of such uses on road capacities as well as a revised APFO approval for the project based on the rezoned uses.

On January 24, 2000, Fairview Properties executed an amended and restated "Adequate Public Facilities Letter of Understanding." This letter of understanding incorporates the revised APFO approval for the MXD zoning, in effect vesting the zoning for ten years. The approved densities are substantially identical to those specified in the Limited Offering Memorandum. According to the

developer, the revised preliminary plan did not materially alter the assumptions concerning the development of Bennett Creek Center as contained in the Development Pro Forma. Design of the improvement plans is complete.

On July 12, 2000, the Frederick County Planning Commission granted conditional approval of Monocacy's Phase II Revision, which makes some minor modifications to the existing Land Use, Development Phasing, Water and Sewer, and Green Space Plans, but does not alter the total development yield or dwelling unit mix. These modifications consist of consolidating certain tracts into a Mixed Use Village Center (MXVC) for the purpose of creating a larger neighborhood of integrated residential unit types, modifications to the Street "C" alignment to facilitate better access to interior residential tracts, a reconfiguration of School Site Number One to conform with the Street "C" modifications, an expansion of School Sites One and Two from 15 acres to 25 acres each, and the identification of a proposed district park to the northwest of the PUD. Approval of these modifications are conditional and based on the confirmation of the final configuration of School Site Number Two and Monocacy's providing a site plan concurrent with the preliminary plan for the consolidated MXVC.

On September 13, 2000, Route 80 petitioned and received approval from the Frederick County Planning Board to change the Phase II Plan for Urbana Highlands, which will revise the dwelling mix in several sections, as well as the number of units in several sections to reflect the number of recorded plats, and combine the two single-family neighborhoods by altering Street D.

An amendment to the Phase II plan was filed by Monocacy and approved by the Frederick County Planning Board on February 14, 2001. The amendment added the Richard Ward parcel of approximately 27 acres to Section M-9 and a remnant piece from the Kiplinger lands, resulting in the creation of Village IX. Village IX will consist of 105 lots (66 single-family and 39 townhouse lots). The Preliminary Plan was conditionally approved by the Frederick County Planning Commission on April 11, 2001. Resolution Number 02-13 was approved by the Frederick County Board of Commissioners on June 25, 2002, which annexed 30.25 acres of property consisting of the Richard Ward parcel and a remnant piece from the Kiplinger lands to the CDA.

An amendment to the state enabling legislation was adopted by the Maryland General Assembly, effectively July 1, 2006, that permitted Monocacy to apply to the Board of County Commissioners for approval to expand the Urbana CDA beyond its amended boundaries, which excluded the Boxwood parcel that was located outside the geographic boundaries of the Urbana CDA at the time of the rezoning and subsequent Phase II planning approval. Monocacy filed the application for expansion of the Urbana CDA on October 10, 2006. The Board of County Commissioners approved, the expansion of the Urbana CDA by Resolution 06-42 adopted on October 24, 2006 adding the Boxwood parcel together with approximately 181 acres of property zoned MXD also known as Urbana Town Center Employment District. The Boxwood parcel is located immediately adjacent to the Villages of Urbana PUD between MD Route 355 and Interstate 270. The MXD has received Phase I zoning approval for development of up to 500 residential dwelling units (200 of which must be age restricted), 1,950,000 SF of office/research employment uses and 50,000 SF of commercial uses. The expansion of Urbana CDA was also subject to consent of the series 1998 and 2004 A and B bondholders, which was secured on March 31, 2007.

The developer reports that an application has been filed for a land use amendment covering the ORI/MXD property owned by Urbana Corporate Center, LLC south of MD Route 80 and the Fannie Mae tract to allow construction of a retail outlet center of up to 665,000 square feet. According to the developer, the application is pending review by the applicable government entities.

In June 2003, the County Commissioners of Frederick County adopted the Frederick County Capital Improvements Program (CIP) for fiscal years 2004 through 2009. Included in the CIP budget for fiscal years 2004 and 2005 was the construction funding for new elementary and middle schools and the expansion of the existing high school to serve the build-out of the residential portion of the Urbana CDA. The county's "Adequate Public Facilities Letter of Understanding" covering the PUD-zoned sections of the CDA required a re-test for school capacity before approval could be obtained to plat lots through build-out of the residential areas. In order to allow programmed school construction contained in the CIP, construction funding for the schools needed to be included in the first two years of the current CIP. Having met this requirement with the adoption of the CIP, Monocacy requested a hearing before the Frederick County Planning Commission to approve the revision of the platting schedule for fiscal years 2004 through and including 2008, which would result in full build-out of the approved residential density of those sections of the CDA. The Frederick County Planning Commission has approved the revised platting schedule and Monocacy anticipates that there will be no further impediments to the issuance of additional CDA bonds, which are expected to be issued in the fourth quarter of 2003.

On June 11, 2003, Monocacy received approval from the Frederick County Planning Commission for a change in the land use plan for Bennett Creek Center in conjunction with the signing of a letter of intent with FNMA for a 710,000 square foot office and data center facility. In order to hold the overall road infrastructure program constant, the approved density of the various land uses within Bennett Creek Center was altered to accommodate FNMA's anticipated build-out requirements.

In order to accommodate FNMA's anticipated build-out requirements in Bennett Creek Center, the "Second Amended Adequate Public Facilities Letter of Understanding," dated March 30, 2001, was amended on July 8, 2003 by the Frederick County Planning Commission. The First Amendment to the Second Amended APFO approved a site plan for a data center in the MXD, which has a lower maximum trip generation factor than general office/research employment uses, and slightly revises the other anticipated uses in the MXD, as shown above, for the purposes of determining the total maximum trip generation for such uses. The Frederick County Planning Commission also agreed to modify the obligation of the developer to construct two water towers in both the Phase II and Phase IV stages of the development. The developer must now construct one elevated water storage tank and transmission mains in Phase II (Water Tower # 1) prior to or concurrent with the connection of a total of 1,777 water taps to the regional system, provided that the interconnection of the regional system to the Urbana High School water tank is completed prior to or concurrent with the connection of a total of 1,533 water taps to the regional system. The developer must also construct one additional elevated water storage tank and transmission mains in Phase IV (Water Tower # 2) prior to or concurrent with either (i) the connection of a total of 2,937 water taps to the regional system if, at that time, Frederick County has not constructed a portion of its Potomac River/New Design Water Treatment Plant Project (the "Potomac River Project") formerly known as the "East County Connector Phase IV" project; or (ii) the connection of a total of 4,193 water taps to the regional system if the East County Connector Phase IV portion of the Potomac River Project is completed at the time 2,937 water taps are connected to the regional system.

The developer reports that county approval of the plans covering the construction of roads, storm drains, water and sewer lines, an interim wastewater pump station and forced sewer main in Bennett Creek Center was received in August 2003. County approval of the Bennett Creek Center plan covering construction of water tower number one (1.5 million gallons), and related access roads, storm water management facilities and water service lines was received in October 2003.

Wetlands permits have been received for the Monocacy and Route 80 PUD infrastructure.

The wetlands permit for the ORI infrastructure is still under review and is expected to be approved once the U.S. Army Corps of Engineers has approved the construction plans for the stream crossing.

Urbana Highlands reports that a revised Phase II Plan converting the 74 townhouse lots in Section P-1 to 74 single-family detached lots was approved in August 2004 by the Frederick County Planning Commission and the associated site plan was approved on October 13, 2004. Urbana Highlands, LLC also reports that the combined preliminary and final plan for the remaining land bay, Section P-5 in Phase II for 70 townhome units, was approved by the Frederick County on November 14, 2007. In addition, a Phase II plan revision to transfer one remaining unit in Section P-4 to Section P-5 was approved by the county on November 14, 2007 for a revised total of 71 townhouse units in Section P-5.

B. STATUS OF CONSTRUCTION

(i). Background Information

The Series 1998 Bond proceeds included a deposit to the improvement fund in the amount of \$21,491,008.00. This includes \$7,116,333.00 deposited to the county water and sewer account to be used for the extension of the water and sewer trunk lines from Francis Scott Key Mall to the boundary of the CDA. The Series 2004A and B Bond proceeds included deposits to the respective improvement funds in the amount of \$21,674,242.60 and \$5,047,033.94. A summary of the budget for the CDA (the Series 1998, 2004A and 2004B Bonds) is shown in the table on page 25.

In addition to the public improvements, the developers identified \$11,097,934.00 of private improvements for the Villages of Urbana and Bennett Creek Center and \$4,928,989.00 of private improvements for Urbana Highlands in the initial phases of development (the development that corresponds to the improvements to be made from proceeds of the Series 1998, 2004A and 2004B Bonds). These private improvements include amenities, paths and trails, storm water management ponds, and subdivision improvements that are not public.

The developer reports that the Fat Oxen Recreation Center and pool are complete and that this facility opened on July 4, 2003. The lot and improvements to the Fat Oxen Recreation Center and pool have been inspected and ownership has been transferred to the Villages of Urbana Community Association.

(ii). Status of Construction

The construction efforts currently in progress include the following:

Extension of Water and Sewer to the CDA:	These developments are complete and operational.
Extension of Water and Sewer through the CDA:	The extension of water and sewer lines from the northern boundary of the Urbana PUD to Bennett Creek Center is complete.
Water Booster Pump Station:	The entire regional water and sewer system was reported complete and operational on April 24, 2000.
Route 80 By-Pass:	On September 21, 2000, the ribbon cutting ceremony officially opening

the Maryland Route 80 By-Pass took place. The final inspection was held on June 19, 2001, and the state has accepted the road for maintenance. Street lighting and landscaping along this section are complete and the Route 355/Route 80 traffic signal is operational.

Route 355 By-Pass:

Monocacy reports that construction of the first phase of relocating Maryland State Route 355 through the Villages of Urbana Town Center (Sugarloaf Parkway rotary to Route 355 north of the PUD) commenced in March 2004 and that construction of Phase One is complete. The road was provisionally opened to traffic on December 31, 2005. According to the developer, the preparation of plats and deeds have been requested to turn over the road to the state by the end of 2008. Phase One redirected MDSR 355 from just north of the PUD boundary to a roundabout at its intersection with Sugarloaf Parkway. Through traffic has been directed to rejoin the existing MDSR 355 at a new signalized intersection via Sugarloaf Parkway. Monocacy reports that design of Phase Two of the Maryland State Route 355 relocation project is complete and construction is continuing. The storm drainage facilities are being installed. Phase Two will extend relocated MDSR 355 relocated beyond Sugarloaf Parkway to a signalized intersection at MDSR 80. According to the developer, the widening and relocation of MD Route 80 from Old MD Route 355 to Campus Drive is substantially complete and has been opened to traffic. According to the developer, preparation of State Highway plats has begun and the project is expected to be submitted to the State Highway Administration by the end of 2008.

Villages of Urbana
Public Roads:

These roads include Sugarloaf Parkway, Campus Drive, Addison Woods, Singleton Road, Carriage Hill Drive and Sprigg Street. Paving and landscaping of Sugarloaf Parkway from Maryland Route 355 to John Simmons Court is complete. Storm drain structures, curbs and gutters, sub grading, and utility adjustments on Sugarloaf Parkway to the intersection of Bush Creek Drive have been completed. Base paving along this section was completed in the third quarter of 2000. The Phase I improvements to Sugarloaf Parkway have been approved for inclusion in the Frederick County road system. The developer reports that the Phase II improvements to Sugarloaf Parkway (Bush Creek to Spicebush), including the Con Span bridge, guardrail and retaining walls, have been completed. Base paving of Phase II was completed in the fourth quarter of 2002 and the roadway is open to traffic from Bush Creek Drive to its intersection with Addison Woods Road at Villages VII and VIII. The developer reports that work under an MDSHA approved plan for the intersection of Singleton Drive, the most direct entrance to Villages V and VI, and MD State Route 80 has been completed. The developer reports that the improvements to Sugarloaf Parkway and Addison Woods Road have been approved by Frederick County for inclusion in the county's road network and bonds have been released for these improvements. Construction of the first phase of Carriage Hill Drive, connecting MD Route 80 with the entrance to Village 11 through the Village Center (Village X), is

complete and this section of Carriage Hill Drive has been accepted for maintenance by Frederick County. This second residential collector provides direct access to the heart of the Villages of Urbana and provides an internal link between the eastern and northwestern sections of the project. This road also provides the primary access to Centerville Elementary, a new school within the Frederick County system, which commenced construction in June 2004 and opened in August 2005. Monocacy also reports the second phase of Carriage Hill Drive, which extends the road from the entrance at Village 11 into Village 12, has been completed and has been accepted for maintenance by Frederick County.

ORI Roads:

Preliminary site engineering has begun and engineering firms have been retained to design the regional wastewater pumping station and to perform soil test borings throughout the site to develop better base information from which to design the layout of roads, water, sewer, and other utilities for the property zoned ORI/MXD. An engineered plan has been submitted for county review for the interim pump station to serve some of the building pads in the ORI/MXD area. Comments from the county are anticipated from the county in the near future, however, the lower cost alternative has been agreed to in principle by county staff.

Water Tower #2:

Water Tower #2 is to be constructed as a replacement to the 150,000 gallon storage tank presently located on the campus of Urbana High School. The developer reports that based on the recent studies of water demand to accommodate the expanded Urbana CDA, including the future Urbana Town Center Employment District MXD, the tank is anticipated to be sized at 1,500,000 gallons of which 500,000 gallons is expected to be funded by the county for the development of property outside the boundaries of the Urbana CDA. According to the developer, the design is anticipated to be completed in 2008 and construction is expected to occur in 2009-2010.

North Regional
Wastewater Pumping
Station:

This pumping station is located in the Urbana Corporate Center. It is designed to drain the balance of the Urbana Corporate Center property located south of the Fannie Mae site as well as adjacent properties to the north and east. The design of this facility is virtually complete and construction will be coordinated with the demand for service.

Further Improvements to
Maryland Route 80
Relocated:

The design phase to widen Maryland Route 80 under Interstate 270 and construct a roundabout at the Interstate 270 southbound ramps is complete and an access permit has been issued by the Maryland State Highway Administration. According to the developer, construction is anticipated to be completed by the end of 2008.

Water Booster Pump Station:	The construction of a water booster pump station, located at Ijamsville Road, to serve those portions of the Villages of Urbana and Urbana Highlands located at higher elevations is substantially complete and the station has been started in a test mode.
Villages of Urbana Land Bays:	
Village I (121 units)	The construction of public improvements in Village I (Sections K-1, M-2, and M-3) is complete, and the developer reports that there have been one hundred and twenty one reported settlements between builders and homebuyers.
Village II (65 units)	The construction of public improvements in Village II is complete, and the developer reports that there have been 65 settlements between homebuilders and homebuyers.
Village III (123 units)	The construction of public improvements in Village III is complete, and the developer reports that there have been 123 settlements between builders and homebuyers.
Village IV (101 units)	The construction of public improvements in Village IV is complete, and the developer reports that there have been 101 settlements between builders and homebuyers.
Village V (76 units)	The construction of public improvements in Village V is complete, and the developer reports that there have been 76 settlements between builders and homebuyers.
Village VI (30 units)	The construction of public improvements in Village VI is complete, and the developer reports that there have been 30 settlements between builders and homebuyers.
Village VII (173 units)	The construction of public improvements in Village VII is complete, and the developer reports that there have been 173 settlements between builders and homebuyers.
Village VIII (106 units)	The construction of public improvements in Village VIII is complete, and the developer reports that there have been 106 settlements between builders and homebuyers.
Village IX (105 units)	The construction of public improvements in Village IX is complete, and the developer reports that there have been 105 settlements between builders and homebuyers.
Villages X and XI (545 units)	Monocacy reports that all sections are base paved, amenitized, landscaped and building permit “ready”. Plats for the first 100 single-family detached units were recorded in July 2003. The developer anticipates that a total of 245 single-family detached units and 300 townhomes will be constructed in these two villages. The developer

reports that there have been 526 settlements between builders and homebuyers in Villages X, XI and part of XIV. The developer reports that the Village Center Neighborhood is being developed in phases so as to make additional lots building permit ready. Monocacy reports the landscaping for the second phase of Carriage Hill Drive, which extends the road from the entrance at Village 11 into Village 12, is complete.

Village XII (170 units)

Monocacy reports the installation of water lines, sewer lines, all underground utilities, curbing, gutters and base course paving are complete. All 170 single-family lots are “building permit ready”. Ryan Homes and NV Homes have been allocated all 170 units in this section. The construction of the stream crossing between Villages XI and XII (Carriage Hill Drive Extended) is complete. As of June 30, 2008, Monocacy reports that homebuilders have settled on 158 completed homes with homebuyers.

Village XIII
(55 units)

Monocacy reports that the preliminary subdivision plan and site plans for Village XIII have been completed and that these plans were approved on January 31, 2006 by the Frederick County Planning Commission and the improvements are bonded. Utility work has been completed. The developer reports that development commenced in February 2006 and delivery of lots commenced in the second quarter of 2007. NV Homes and Ryan Homes have been allocated all of the lots in this section. According to the developer, a total of 40 building permits have been issued for this section. According to the developer, there have been 31 settlements between builders and homebuyers.

Village XIV (formerly X) –
Section M7 (210 units)

Monocacy reports that the Village XIV multi-family pad at the southern end of Village X has been mass graded and served with infrastructure utility lines in conjunction with the development of Villages X and XI. Monocacy reports that development work through base paving for two hundred and ten 2-over-2 condominium townhomes was completed in August 2006. Initial settlement with builders occurred in the fourth quarter of 2006 and condominium sales commenced in May 2007. Monocacy reports that 72 building permits have been issued and 64 condominium units have been closed with homebuyers. All units have been allocated to Ryan Homes.

Village XV (60 units)

Monocacy reports that the utility and base paving work in Village XV has been completed for all lots. According to the developer, a total of 43 building permits have been issued for this section, and Ryan Homes has closed on 33 homes with homebuyers.

Villages XVI –XVIII
(228 units)

Monocacy reports that grading and utility installation have been completed for Villages XVI-XVIII. According to the developer, course base paving has been completed in Sections M18 and M20. According to the developer, paving in Section M19 is expected to be undertaken to

meet market demand for lots in this section. All lots in these sections were recorded in June 2008.

Villages XIX
(108 units)

Monocacy reports that development activity consisting of mass grading, stabilization and extension of utility services to Village XIX is continuing. According to the developer, the proposed single-family detached lots in this section were recorded in June 2008.

Town Center I
(53 units)

Main Street Builders and Parkwood Homes continue to construct homes in this area. Monocacy reports that the public improvements to the first phase of Town Center I are complete. Construction of Main Street Homes' and Parkwood's model homes is complete and open to the public. Forty-four settlements between builders and homebuyers in Town Center I have taken place. The remaining two units have been allocated to Main Street Homes, which is contemplating a duplex lot approach that may necessitate architectural revisions and possible re-subdivision. Seven additional neo-traditional single-family detached residential units were platted during the second quarter of 2005 and are base paved and ready for allocation to a neo-traditional builder. The initial twelve live-work non-residential buildings were platted in the second quarter of 2005 and are being constructed. Parkwood Homes has been allocated these live-work townhouse units, which consist of two floors of commercial space and a third level accessory residential apartment. Parkwood delivered the initial live-work units to owners in April 2007. Additional non-residential buildings will be developed in this land bay, mostly in conjunction with construction of MD Route 355 through the Villages of Urbana Town Center area. Construction of the neighborhood park and gazebo in Town Center I is complete. Landscaping in Town Center I is complete. The Phase 3 construction of residential units along the northern side of Sugarloaf Parkway is continuing. Monocacy reports the residential units will be neo-traditional design with alley-loaded garages. According to the developer, the Live-Work units are being developed along Worthington Boulevard and twelve units are complete.

Town Center II
(202 units)

Monocacy reports that the public improvements to Phase 1 of Town Center II are complete. The playground lot in Town Center II is complete and final landscaping for the units settled is also complete. One-hundred and thirty-seven settlements between builders and homebuyers in Town Center II have taken place. Monocacy reports that the construction of entry features in Town Centers I and II is complete. Monocacy reports that landscaping for the first phase in Town Center I is complete. The developer reports Preliminary Subdivision and Site Plans for Phase Two of Town Center II were approved by the Frederick County Planning Commission in 2005. The developer reports development on Phase Two commenced in February 2006 and development work through paving is complete. Monocacy reports the second phase of Town Center II was platted in May 2006.

Monocacy reports that initial residential lot deliveries for the development of Phase II in Town Center II commenced during the first quarter of 2007. NV Homes is expected to construct 28 townhouses in this section; Main Street Homes is expected to construct the remaining 34 Towns and the 3 Neo-Singles. Monocacy reports that 37 building permits have been issued for this section. According to the developer, there have been 27 settlements between builders and homebuyers.

Town Center III
(46 units)

Monocacy reports the installation of water lines, sewer lines, all underground utilities, curbing, gutters and base paving are complete in Town Center III. The developer reports that building permits for all twelve townhouse units to be constructed by Classic Communities have been approved. Classic Communities is building these rear load garage townhouses and reports that as of December 31, 2006 all 12 townhouse units were settled with homebuyers. Monocacy also reports that utility installation and base course paving is complete on the construction of 34 condominium units in Town Center III. According to the developer, this pad has not yet been assigned to a builder.

Town Center IV
(184 Units)

Monocacy reports that a master lot, which will vest 184 condominium flats in Town Center IV, was recorded in June 2008. Town Center IV will include 184 multi-family condominium flats. The developer also reports that this parcel is surrounded by substantially complete roads. According to the developer, service roads will be extended and utilities will be installed. Monocacy reports that the development activity in this section will be driven by the market.

Town Center V
(84 Units)

Monocacy reports that development work through base course paving on townhouse lots is substantially complete and the lots are "building permit ready". Town Center V will include 41 townhouse units, 36 Multifamily condominium flats and 7 live-work townhouse units. The master lot was recorded in June 2008 to vest 184 condominiums. Monocacy reports that the pad for multi-family units will be prepared and stabilized and the further development will be market-driven. According to the developer, the seven live-work units will be fully developed for sale along Worthington Boulevard extending north from Town Center I.

Town Center VI
(92 Units)

Monocacy reports that Town Center VI is bounded by Sugarloaf Parkway on the north and Worthington Boulevard on the east of (MD 355 Relocated Phase 2). This section of development will include 22 single-family homes, 28 garage townhouse units and 42 multi-family flats. Monocacy also reports that the parcel has been mass graded and utilities are extended to the boundaries of the parcel. According to the developer, all units were recorded in June 2008 and further development will be market driven.

Bennett Creek Center: Monocacy reports that mass grading operations serving the first 300,000 square feet of the ORI/MXD property in Bennett Creek Center commenced in June 2003 under a major grading permit following Monocacy's bonding of sediment erosion control, stormwater management ponds and forest conservation improvements. The developer reports, that county approval of the plans covering the construction of roads, storm drains, water and sewer lines, an interim wastewater pump station and forced sewer main were granted in August 2003. County approval of the plan covering construction of water tower number one (1.5 million gallons) and related access roads, stormwater management facilities and water service lines occurred in October 2003. The developer reports that construction of Water Tower One was completed during the fourth quarter of 2004 and that the tower has been connected to the county-operated regional water system.

Extension of Water and Sewer to Urbana Highlands: Work on these improvements has been completed.

Urbana Highlands Water and Sewer: The portion of the installation of on-site water and sewer funded with bond proceeds began in the fourth quarter of 1999 and is complete.

Urbana Highlands Connector Roads: Public improvements to the connector roads are 53.3% complete. The developer has reported no additional changes.

Urbana Highlands Land Bays: The entrance feature and most of Urbana Highlands frontage improvements along Maryland Route 80 are complete. Site clearing, grading and the installation of water, sewer, storm drain, base and final paving, landscaping and lighting is complete for all single-family and village home areas of Section P-3 and all townhome areas of Section P-2. Additionally, water, sewer, storm drain, and base paving improvements are complete in Section P-4 with remaining improvements to be concluded as home building activities progress. The construction of five model homes is complete. The water booster pump station serving Section P-4 was completed in April 2003. In the summer of 2003, the community celebrated the opening of the bathhouse, pool, tennis and multi-purpose courts. Urbana Highlands, LLC reports that construction on Caledonia Drive, which will provide direct access from Urbana Highlands to the Villages of Urbana, is complete and open for traffic. Engineering for the Section P-1 improvement plans is complete. Advantage Home has opened their traditional single family model and neo-traditional, rear-alley model homes and has commenced construction of several units. The developer reports that base paving for Section P5 is complete. The developer also reports that construction of water and sewer infrastructure improvements is complete.

C. STATUS OF SALES

(i.) Status of Contracts With Builders

Villages of Urbana

Monocacy Land Company anticipates developing 3,013 residential units within the Villages of Urbana portion of the CDA. Table III-2 below shows the status of lots under contract, lots settled with builders, and building permits issued. As of June 30, 2008, Monocacy has entered into rolling option takedown contracts or bulk sale agreements for 2,542 lots. There have been 1,974 lots settled with builders, including eight model home lots. Frederick County has issued 1,977 building permits (including the eight permits that had previously been issued for the construction of model home lots). According to the developer, a letter of permission is provided to the builders that allow them to start the building permit process in advance of purchasing the lots. The developer periodically makes spot checks to ensure that the builders have purchased the lots before they commence construction. Construction of homes in Villages X, XI, XII, XIII, XV and Town Center I, II and III continues. Construction of homes in Villages I, II, III, IV, V, VI, VII, VIII and IX are complete.

Table III-2
Villages of Urbana
Status of Lots Under Contract, Settled, and Building Permits

Builder	Village	Lots Under Contract	Lots Settled with Builders	Building Permits Issued
Ausherman	I,II,III,IV,V,VII, VIII & IX	232	232	232
M/I	I,III,IV,VII, & IX	89	89	89
NV	I,III,IV,VII, IX, X, XI & XII	630	453	463
Ryan Homes	I, III,IV,V, VI VII,VIII, IX, X, XI, XII, TCI & TCII	1,054	709	710
Classic Communities	I,II,IV,VII,VIII, IX, X, XI, TCII & TCIII	270	270	270
Main Street/Parkwood	Village X, TCI, TCII	267	221	213
TOTAL		2,542	1,974	1,977

The cash flow projections prepared by the developers (dated as of September 1, 1998) projected that Monocacy would close on 2,795 residential lots by June 30, 2008. The actual number of lots closed was 1,974, which fell short of the cash-flow projections by 29.4 percent. Monocacy reports that Ausherman Homes and M/I Schottenstein have exited the project. Monocacy reports that commitments to NVR, Inc. (Ryan and NV Homes) dictated a reduction in the number of active builders in the project; however product mix objectives are being met and sales are expected to continue in the range of 200 to 250 plus units per year.

Urbana Highlands

Urbana Highlands Development Limited Liability Company (formerly Route 80 Limited Partnership) anticipates developing 471 residential units within Urbana Highlands portion of the CDA. Table III-3 below shows the status of lots under contract, lots settled with builders, and building permits issued as of June 30, 2008. During the first quarter of 2000, Urbana Highlands, LLC

contracted to sell 40 single-family lots to Winchester Homes. Simultaneously, Urbana Highlands, LLC also contracted to sell 72 townhouse lots and 38 single-family lots to Advantage Homes, LLC, which shares common management with Urbana Highlands Development Limited Liability Company (formerly Route 80 Limited Partnership) and Urbana Highlands, LLC. Urbana Highlands, LLC has subsequently sold an additional 37 single-family lots to Advantage Homes, LLC. In the quarter ending June 30, 2001 Winchester executed a contract addendum for an additional 20 single-family lots. Also during this quarter, NV Homes entered into and executed a contract for the purchase of 25 single-family homes in Section P-3. During the fourth quarter of 2002, Urbana Highlands, LLC contracted to sell all 94 lots in Section P-4 to Advantage Homes. The developer reports that all contracts with builders have been signed and ratified.

According to the developer, Winchester and Advantage have completed construction of one single-family model home each in the model park on Braveheart Lane. Advantage Homes has completed construction on their second small single-family model home to showcase their neo-traditional niche product, and completed construction on a townhouse model in March 2002. NV Homes completed construction of a model home in December 2001. During the third quarter of 2003, Advantage Homes completed construction of two additional models in Section P-4. The developer has settled 347 lots with homebuilders. (According to the developer, lots with Advantage Homes—an affiliate of Urbana Highlands Development Limited Liability Company and Urbana Highlands—will be settled at closing with end users in order to minimize transfer tax expenses.) Building permits have been issued for 354 homes, including the model homes.

Table III-3
Urbana Highlands
Status of Lots Under Contract, Settled, and Building Permits

Builder	Section	Lots Under Contract	Lots Settled with Builders	Building Permits Issued
Winchester Homes	P-3	60	60	60
Advantage Homes	P-2, P-3 & P-4	315	262	269
NV Homes	P-3	25	25	25
TOTAL		400	347	354

As of June 30, 2008, 354 residential permits have been issued for 149 large single family detached homes, 133 small single family detached homes, and 72 townhomes. The cash flow projections prepared by the developers (dated as of September 1, 1998) projected that Urbana Highlands would close on 459 residential lots by June 30, 2008. According to the developer, the reason why closings with builders fell short of projections is because, as mentioned above, the lots under contract with Advantage Homes will be settled at closing with buyers in order to minimize transfer tax expenses.

Villages of Urbana

Monocacy has retained an advertising agency, which is assisting with the design and development of marketing materials. Monocacy is continuing to revise its web site on the internet at: www.villagesofurbana.com. According to the developer, the model home court in Villages I and VII have been closed and new model home courts have opened in Villages X and XI. Marketing activities, including a print advertising campaign, targeting the areas of the I-270 corridor that began in mid-December 1999 is continuing with ads in the Frederick News Post and New Homes Guide. NVR, Inc.

has included the Villages of Urbana in both Ryan Homes and NV Homes advertising since the beginning of the fourth quarter of 1999.

Monocacy and the CDA Administrator have conducted an educational session with the sales teams of the homebuilders to explain the special taxes and comparable housing costs in areas outside the Urbana CDA. In addition, a consumer education brochure has been drafted to answer the tax questions of potential homebuyers regarding the CDA.

The status of homes settled with end users for each builder within the Villages of Urbana is shown in Table III-4 below. As of June 30, 2008, there were 1,932 reported settlements between homebuilders and homebuyers. From the date of opening pre-sales in mid-December 1999 through June 30, 2008, builders are reporting that sales contracts have been executed for 1,993 homes. These include 1,074 single-family detached, 844 townhomes, and 75 multi-family 2-over-2 condominiums. Sales teams for Monocacy report that an estimated of 890 prospective homebuyers visited the model homes during the second quarter of 2008, an eight percent increase of the traffic experienced during the same quarter of 2007.

Table III-4
Villages of Urbana
Status of Homes Settled with End Users

Builder	Village	Homes Settled
Ausherman	I,II,III,IV,V,VII, VIII & IX	232
M/I	I,III,IV,VII, & IX	89
NV	I,III,IV,VII, IX, X, XI & XII	447
Ryan Homes	I, III,IV,V, VI VII,VIII, IX, X, XI, XII, TCI & TCII	687
Classic Communities	I,II,IV,VII,VIII, IX, X, XI, TCII & TCIII	270
Main Street/Parkwood	Village X, TCI, TCII	207
TOTAL		1,932

Urbana Highlands

Urbana Highlands, LLC reports that construction of the Winchester and Advantage model homes on Braveheart Lane are complete. Advantage Homes has also completed an additional small single-family model home and construction on a townhouse model was complete in March 2002. NV Homes completed construction on a model in December 2001. With the completion of the model homes on Braveheart Lane, Winchester and Advantage have moved their sales staffs into their respective model homes. Advantage Homes has relocated their sales trailer to the model home park on Braveheart Lane adjacent to their model home and will market the townhouse product from that location.

The status of homes sold and settled with homebuyers for each builder within Urbana Highlands is shown in Table III-5 below. As of June 30, 2008, Urbana Highlands, LLC reports that Winchester, Advantage, and NV Homes reported combined sales of 149 large single-family homes through the second quarter of 2008. According to the developer, Advantage Homes reported selling

an additional 132 small single-family units and 72 townhouse units through the second quarter of 2008.

Table III-5
Urbana Highlands
Status of Homes Settled with End Users

Builder	Section	Home Sales	Homes Settled
Winchester Homes	P-3	60	60
Advantage Homes	P-2, P-3 & P-4	268	261
NV Homes	P-3	25	25
TOTAL		353	346

(ii.) Status of Marketing Commercial Property

Monocacy reports that negotiations with prospective retail center developers for the PUD Town Center resulted in a letter of intent being signed on July 10, 2001 with Kimco Realty Corporation, formerly Mid-Atlantic Realty Trust (MART). (The developer reports that MART was sold to Kimco Realty Corporation in the fourth quarter of 2003.) A master list of commercial, office, and quasi-public pad sites has been provided to Monocacy’s commercial realtors in order to market the space to prospective users.

According to the developer, the Frederick County Planning Commission overwhelmingly approved the site plan proposed for the grocery-anchor retail center along the north side of future Maryland Route 355 in January 2002. The developer reports that Kimco settled on the purchase of lot 1200 in November 2003, contractually purchasing the development rights totaling 122,316 square feet for a grocery-anchored retail center, which will include a number of pad-sited freestanding leased buildings. The developer reports that the Giant Grocery Store opened in the first quarter of 2007, concurrent with the completion of the relocation of Maryland State Route 355 Phases One and Two. The developer reports that construction on lot 1200, which is owned by Kimco, is continuing and construction of Phase One was completed in 2007 based on information provided by Giant Foods and Kimco Realty. Monocacy reports Phase Two of the retail development has not commenced as of August 27, 2008. The developer reports shell building permits for five buildings, including Giant Foods, BB&T Bank and three retail buildings, have been issued by Frederick County for a total of 87,662 square feet which is approximately 72 percent capacity of the site. Monocacy reports that the remaining capacity of the site is expected to be retail and office space.

Settlement of a contract with Giant will require the bonding of the relocated Route 355 through the Town Center. The grocer has informed Kimco that completion of the second phase of the relocated Route 355 from Sugarloaf Parkway to Route 80 by December 31, 2005, is a required settlement condition. The developer reports that construction plans have been filed with MDSHA and that construction commenced in March 2004 and that Phase 1, Sugarloaf Parkway rotary to Route 355 north of the PUD, was substantially complete through base course paving on December 31, 2004.

The developer reports that Kimco has completed final design and that construction on lot 1200 commenced in the first quarter of 2005. The developer reports that BB&T Bank will be occupying the bank pad located on the retail center site as a tenant of Kimco at the corner of relocated Maryland Route 355 and Sugarloaf Parkway. Monocacy reports BB&T is complete and open for business. The developer reports that Kimco continues to market the grocery-anchored retail center to

other potential tenants.

Monocacy reports that approval of the site plan with the retail center developer for the PUD Town Center, which was filed in November 2001, was received in late 2004. The developer reports that site development work commenced in early 2005. The developer is continuing to review a proposal to develop a retail cluster around the Historic Dudderar House and surrounding area. The developer anticipates that development plans for the first phase will yield a FAR of 300,000 square feet. A letter of intent has been submitted by prospective antique/gift shop users. Sales negotiations for PUD pad 5B with Bar T for a 46,632 square foot day care facility and with the Gorman School for pad site 17B have ceased. Sales negotiations with a veterinarian, an office space developer, a printing company and various other small professional office space users are continuing. New prospects include a liquor store. Sales negotiations with Frederick County Hospital for medical office space have now shifted to MXD/ORI pad site 9 and the developer has sketched a site plan consisting of a 100,000 square foot facility.

The developer reports that settlement of the purchase of PUD pad site 4A with Chevy Chase Bank, which is located at the corner of Sugarloaf Parkway and the relocated Route 355, took place on November 18, 2002. Construction of the Chevy Chase Bank began in the third quarter of 2003 and was completed and opened for business in December 2003.

The developer reports that settlement of the purchase of PUD lot 270 for a proposed Day Care/Medical Office facility comprising approximately 15,000 square feet of space occurred in the first quarter of 2005. Monocacy reports receiving conditional approval of the site plans for both the proposed daycare and the proposed medical office from the Frederick County Planning Commission on June 14, 2006. The developer reports that a building permit has been received and development has commenced.

The developer reports that Sandy Springs Bank has closed on Lot 2 in the Bennett Creek Center. Site plan approval for a banking facility was approved and construction was completed in the third quarter of 2003. The developer reports that the bank is now open for business.

The developer reports that the sale of a 38-acre ORI/MXD site to FNMA settled on September 4, 2003. FNMA will initially construct a 250,000 square foot office building/data center on this site in the Bennett Creek Center. An additional 500,000 square feet of office space is also proposed to be constructed by FNMA on this site in the future. Monocacy reports that on site construction of the first 250,000 square foot facility housing an office building/data center is complete and initial occupancy begun with Fannie Mae in January 2005. The developer reports that staged occupancy of this facility is continuing.

The developer reports that an application has been filed for a land use amendment covering the ORI/MXD property owned by Urbana Corporate Center, LLC south of MD Route 80 and the Fannie Mae tract to allow construction of a retail outlet center of up to 665,000 square feet. The developer also reports that overall yield of the property is governed by the capacity of the infrastructure roads in the vicinity and corresponding adjustment in other types of development that may occur if the amendment is approved. According to the developer, the application is pending review by the applicable government entities.

D. STATUS OF FINANCING

(i.) BB&T Bank Revolving Acquisition & Development Loan and Letter of Credit Facility (Monocacy, LLC)

The developer reports that the Riggs Bank Revolving Development Loan and Stand-By Line of Credit were retired on October 1, 2003. The developer reports that a new revolving acquisition and development loan and letter of credit facility with Branch Banking and Trust Company of Virginia (BB&T) was obtained on September 29, 2003.

The terms of the BB&T Facilities have been renegotiated and the loan was modified in April 2007 as follows;

- \$5,000,000 Revolving Development Loan;
- \$10,000,000 Revolving Letter of Credit Facility established for the purpose of giving guarantees to Frederick County securing the developer's obligations under the public works agreements related to the developments; and Monocacy's undertaking to partially fund the debt service to be incurred by the county related to design and construction of a new middle school to serve the Urbana CDA.

The BB&T Facilities carry a term of 12 months and are secured by senior indemnity pledges of real estate including all of the real estate owned by Monocacy, LLC and Urbana Corporate Center, LLC within the boundaries of the CDA. Full repayment of the BB&T Facilities is guaranteed by Urbana Communities, LLC, and is further credit enhanced by limited personal guarantees of the principals of Natelli Communities. According to the developer, a renewal of the BB&T Facilities is currently being negotiated and the previous term has been extended pending execution of the renewal documents. The BB&T Facilities originally carried a term of 36 months, which matured on September 29, 2006.

In addition to the above described facilities, Monocacy has arranged for BB&T to provide drawdown letters of credit to governmental agencies for the purpose of guaranteeing or constructing infrastructures. The drawdown letters of credit are backed by independent cash deposits provided by Monocacy to BB&T.

The BB&T Facilities will be repaid during the term from the proceeds of residential building lot and commercial/office pad sales generally at a rate of 75% of the contract value of each sale.

The acquisition and development loan and letter of credit balances, repayments, and amounts available to fund as of March 31, 2008 and June 30, 2008 are shown below.

	<u>March 31, 2008</u>	<u>June 30, 2008</u>
Revolving loan funded	\$3,552,798	\$3,552,798
Amount repaid	\$120,670	\$449,441
Revolving loan balance	\$3,432,128	\$3,103,357
Letters of credit issued	\$4,281,118	\$6,440,608
Total borrowings & LOC	\$7,713,246	\$9,543,965
Maximum balance	\$15,000,000	\$15,000,000
Amount available to fund	\$7,286,754	\$5,456,035

(ii.) BB&T Bank (formally FCNB Bank) Letter of Credit (Urbana Highlands, LLC)

Pleasants reports that as of December 31, 2004, the amended BB&T \$4,000,000 development loan and all collateral was released. All outstanding letters of credit were transferred to and collateralized under a new line of credit with BB&T. This new line of credit is secured by investment property of affiliate companies and is not related to the development of the Urbana CDA.

(iii.) Series 1998, 2004A and 2004B Bonds

According to the developers, draw requests of bond proceeds for the construction of public improvements as of June 30, 2008 were \$42,441,230 which is equal to 91.85 percent of the revised budget. (The revised budget includes an additional \$2,565,883 in interest income on the Construction Fund for the Series 1998 Bonds that were applied to the payment of public improvements.) The following table provides a summary of the draw requests made as of June 30, 2008 for the construction of public improvements:

Table III-6
Construction Funded
From Bond Issues

Project Description	Original Budget	Budget Changes	Revised Budget	Aggregate Draws 03/31/08	Aggregate Draws 06/30/08	Percent Complete
County Improvements						
Extension of Water & Sewer to CDA	\$7,116,333	(\$630,056)	\$6,486,277	\$6,361,277	\$6,361,277	98.07%
Villages of Urbana and Bennett Creek Center						
<i>Series 1998 Bonds:</i>						
Water & Sewer through CDA to ORI	\$1,101,924	(\$436,700)	\$665,224	\$665,224	\$665,224	100.00%
Route 80 By-Pass	\$3,789,990	\$1,109,204	\$4,899,194	\$4,899,194	\$4,899,194	100.00%
Route 355 By-Pass	\$274,080	(\$154,080)	\$120,000	\$120,000	\$120,000	100.00%
Connector Roads	\$5,568,935	(\$992,031)	\$4,576,904	\$4,576,904	\$4,576,904	100.00%
ORI Roads	\$651,300	\$1,780,600	\$2,431,900	\$2,431,900	\$2,431,900	100.00%
Series 1998 Bonds Public Improvements in Land Bays Infrastructure Water & Sewer Villages of Urbana PUD	\$585,972	\$83,158	\$669,130	\$669,130	\$669,130	100.00%
	\$0	\$1,419,028	\$1,419,028	\$168,170	\$739,460	52.11%
Series 1998 Sub-total	\$11,972,201	\$2,809,179	\$14,781,380	\$13,530,522	\$14,101,812	95.40%
<i>Series 2004 A & B Bonds:</i>						
Infrastructure Roads, Culverts & Storm Drains Villages of Urbana PUD	\$13,835,380	\$1,997,240	\$15,832,620	\$14,133,549	\$14,133,549	90.58%
Infrastructure Roads, Culverts & Storm Drains Villages of Urbana ORI/MXD	\$2,564,750	\$1,494,553	\$4,059,303	\$2,674,865	\$2,674,865	85.41%
Infrastructure Water & Sewer Villages of Urbana PUD	\$3,991,670	(\$1,527,303)	\$2,464,367	\$2,464,367	\$2,464,367	100.00%
Public Roads & Storm Drain	\$1,738,884	\$1,218,147	\$2,957,031	\$1,371,491	\$1,371,491	66.00%
Public Water & Sewer	\$1,021,174	\$674,408	\$1,695,582	\$1,640,323	\$1,640,323	100.00%
Series 2004 Sub-total	\$23,151,858	\$3,857,045	\$27,008,903	\$22,284,595	\$22,284,595	88.57%
Urbana Highlands						
<i>Series 1998 Bonds:</i>						
Extension of Water & Sewer to Project	\$700,257	\$82,475	\$782,732	\$782,732	\$782,732	100.00%
Extension of Water & Sewer through Project	\$287,424	\$352,644	\$640,068	\$640,068	\$640,068	100.00%
Connector Roads	\$1,114,200	\$299,622	\$1,413,822	\$1,413,822	\$1,413,822	100.00%
Public Improvements in Land Bays	\$300,593	\$259,132	\$559,725	\$559,725	\$559,725	100.00%
Series 1998 Sub-total	\$2,402,474	\$993,873	\$3,396,347	\$3,396,347	\$3,396,347	100.00%
<i>Series 2004 A & B Bonds:</i>						
Infrastructure Water & Sewer	\$267,577	\$2,397	\$269,974	\$269,974	\$269,974	100.00%
Public Roads & Storm Drain	\$752,419	\$51	\$752,470	\$752,470	\$752,470	100.00%
Series 2004 Sub-total	\$1,019,996	\$2,448	\$1,022,444	\$1,022,444	\$1,022,444	100.00%
Total CDA Funded	\$38,546,529	\$7,662,545	\$46,209,074	\$40,233,908	\$42,441,230	91.85%

IV. TRUSTEE ACCOUNTS

The trustee for the Series 1998 and the Series 2004A and B Bonds is Manufacturers and Traders Trust Company (formerly Allfirst Trust Company, National Association). The balance at December 31, 2007, interest paid, disbursements, special tax collections and additional proceeds, and account balances for each fund as of June 30, 2008 are shown by the following table:

Table IV-1
Account Balances

	Balance 12/31/07	Interest Paid	Additional Proceeds	Disbursements	Balance 06/30/08
Series 1998 Reserve Fund	\$3,098,222	\$82,817	\$0	\$0	\$3,181,039
County Water and Sewer	\$1,555,109	\$22,097	\$0	\$739,460	\$837,746
Series 1998 Monocacy Infra.	\$148	\$2	\$0	\$0	\$151
Series 1998 Monocacy Local Infra. Fund	\$87	\$2	\$0	\$0	\$89
Series 1998 Rt. 80 Infra. Fund	\$4,354	\$66	\$0	\$0	\$4,420
Series 1998 Bond Fund	\$587	\$9	\$929,369	\$929,369	\$596
Special Tax Fund	\$3,549,127	\$43,506	\$1,107,811	\$1,896,338	\$2,804,106
Series 1998 Admin Expense	\$35,982	\$465	\$0	\$21,704	\$14,743
Series 2004B Bond Fund	\$126	\$2	\$198,781	\$198,781	\$128
Series 2004B Reserve Fund	\$558,517	\$8,454	\$0	\$0	\$566,971
Series 2004B Monocacy Acquisition Fund	\$1,206	\$19	\$0	\$0	\$1,225
Series 2004B Admin Expense	\$20,797	\$296	\$0	\$7,407	\$13,687
Series 2004A Bond Fund	\$594	\$9	\$768,188	\$768,188	\$603
Series 2004A Reserve Fund	\$2,292,481	\$34,698	\$0	\$0	\$2,327,179
Series 2004A Route 80 Acquisition Fund	\$759	\$12	\$0	\$0	\$770
Series 2004A Monocacy Acquisition Fund	\$5,248,940	\$77,326	\$0	\$1,854,474	\$3,471,791
Series 2004A Admin Expense	\$75,542	\$1,026	\$0	\$25,997	\$50,571
Total	\$16,442,580	\$270,802	\$3,004,149	\$6,441,717	\$13,275,815

Additional proceeds to the Special Tax Fund represent special tax collections transferred to the trustee. Additional proceeds to the Bond Funds represent transfers of funds from the Special Tax Fund for payment of debt service. Disbursements from the Water and Sewer Account were for costs associated with the construction of the public improvements. Disbursements from the Administrative Funds represent payments for administration expenses. Disbursements from the Series 2004A Monocacy Acquisition Fund are for costs of construction.

The interest paid through June 30, 2008 does not include interest accrued but not yet paid. Proceeds in the Series 1998 Reserve Fund are invested in a CDC Funding Corporation Guaranteed Investment Contract (GIC) earning 5.35 percent per annum and maturing on July 1, 2025. The majority of the remaining account balances are invested in conventional money market accounts. The table below shows the average rate of return on the investments in each fund or account.

Table IV-2
Rates of Return

Investment income on the capitalized interest accounts will remain in those accounts and be used for the purposes of such accounts. Investment income in the reserve funds will be transferred to the bond funds and applied to debt service unless the reserve fund is at the reserve requirement and the county financial officer directs the trustee to transfer investment income to pay arbitrage rebate or to the administrative expense funds. Investment income on the improvement accounts will remain in each account and may be disbursed as provided for other funds in the accounts.

Account	Rate of Return
Series 1998 Reserve Fund	5.35%
Series 2004A Reserve Fund	1.84 %
Series 2004B Reserve Fund	1.84%
Special Tax Fund	1.84%
Series 1998, and 2004A & B Admin Expense Funds	1.84%
Series 1998 County Water and Sewer	1.84%
Series 1998 Monocacy Infrastructure	1.99%
Series 1998 Monocacy Local Infrastructure	2.26%
Series 1998 Rt. 80 Infrastructure	1.83%
Series 2004A Monocacy Acquisition Fund	1.84%
Series 2004A Route 80 Acquisition Fund	1.82%
Series 2004B Monocacy Acquisition Fund	1.88%

V. DISTRICT OPERATIONS

A. LEVY OF SPECIAL TAXES

According to the “Rate and Method of Apportionment of Special Taxes,” for the Urbana Community Development Authority, special taxes are to be levied at the assigned special tax on each parcel of developed property. Property is classified for each taxable year based on its status as of the previous February 1. For example, property is classified based on its status as of February 1, 2008 for the 2008-2009 tax year. Developed property is property (i) for which a building permit has been issued, or (ii) which is subject to an owner association by the filing of a supplemental declaration (this is private property subject to an association, not property owned by an association). Undeveloped property includes all taxable property that is not developed property.

As of February 1, 2008, 3,341 parcels, including twenty commercial parcels (lots 2, 270, 701A, 1200, 1304, 1309 through 1320, 14110, Parcel A, Parcel Addition 1 and Lot 14110), within the CDA had been made subject to an owner’s association. (As of February 1, 2006, Lot 1200 also had building permits approved or submitted for 87,662 square feet of development.) Of these lots, there had been no building permits issued, or subdivision plans, site plans or final recorded plats determining the amount of development likely to occur for Parcel A or Parcel Addition 1 that were approved by the county prior to February 1, 2008. As a result, Parcel A and Parcel Addition 1 will be taxed as Developed Property at the Undeveloped Property Tax Rate. Accordingly, for the purpose of levying the special tax, 3,339 parcels are considered and have been classified as Developed Property for fiscal year 2008-2009 and are subject to the Developed Property Special Tax Rate.

For any taxable year, the RMA provides for special taxes to be levied on developed property at the greater of (i.) the Assigned Special Tax and (ii.) the Backup Special Tax for the parcel. The applicable special tax rates for fiscal year 2008-2009 are shown in Table V-1. As mentioned above, the commercial lots 2, 270, 701A, 1304, 1309 through 1320 and 14110 have been classified as developed commercial property. The commercial special tax rates that are applicable for these seventeen parcels are shown in Table V-1.

The developed property in the Urbana Community Development Authority and the assigned special tax rates for the 2008-2009 tax year are shown in Table V-1:

Table V-1
Assigned Special Tax Rates
Special Tax 2008-2009

Section	No. of Units	Special Tax Per Unit	2008-2009 Special Taxes
SFD Large Unit	1026	\$1,645.64	\$1,688,429.21
SFD Small Unit	650	\$1,242.16	\$807,401.01
SF-Attached	1139	\$903.27	\$1,028,830.00
Multifamily	506	\$728.96	\$368,853.05
PUD Office	2	\$0.63 per SF	\$14,830.92
PUD Retail	14	\$0.91 per SF	\$113,128.59
ORI Office	1	\$1.17 per SF	\$292,575.00
ORI Retail	1	\$1.78 per SF	\$5,157.57
TOTAL	3,339		4,319,205.35

Special taxes are levied on undeveloped property at the same rate per square foot of land area in an amount necessary to pay the “Special Tax Requirement” not paid from special taxes to be levied on developed property. The special tax levied on undeveloped property may not exceed the maximum special tax for such property (\$.07 per square foot of land area). The special tax requirement for the 2008-2009 tax year is \$4,750,000.00 as shown by Table V-2. The special tax requirement for fiscal year 2008-2009 is \$4,750,000.00. Special taxes levied on developed property in fiscal year 2008-2009 are estimated to be \$4,319,616.83. As a result, special taxes in the amount of \$430,383.16 will be levied on undeveloped property for fiscal year 2008-2009.

Special Tax Requirement

Special taxes are levied in an amount equal to the special tax requirement. Prior to the completion of construction, the special tax is levied on each parcel of developed property at the assigned special tax for such property. This applies even if the developed property special taxes exceed the special tax requirement. The special tax requirement, generally, is equal to (i.) annual debt service and administrative expenses, less (ii.) reserve fund investment income, capitalized interest, and any surplus or deficit from the previous year. Table V-2 provides a summary of the special tax requirement for fiscal year 2008-2009. The special tax requirement for fiscal year 2008-2009 is \$4,750,000.00. Each of these numbers is explained in the following sections.

Debt Service

Debt service includes the semi-annual interest payments on the Series 1998, 2004A and 2004B Bonds due on January 1, 2009 and July 1, 2009. Each semi-annual interest payment on the Series 1998 Bonds is \$912,806.25. This is based on an outstanding term 2010 principal amount of \$1,300,000.00 earning 6.25% annually and an outstanding term 2025 principal amount of \$26,330,000.00 earning 6.625% annually. Each semi-annual interest payment on the Series 2004A Bonds is \$754,326.00. This is based on an outstanding term 2020 principal amount of \$9,421,000.00 earning 5.80% annually and an outstanding term 2030 principal amount of \$16,172,000.00 earning 5.95% annually. Each semi-annual interest payment on the Series 2004B Bonds is \$195,375.00. This is based on an outstanding principal amount of \$6,252,000.00 earning 6.25% annually. The principal amount due on July 1, 2009 on the Series 1998 Bonds is \$610,000.00. The principal amount due on the Series 2004A and B Bonds on July 1, 2009 is \$516,000.00 and \$118,000.00, respectively. As a result, total debt service is \$4,969,014.50.

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

	Series 1998 Bonds	Series 2004A Bonds	Series 2004B Bonds	Total
Debt Service:				
Interest on January 1, 2009	\$912,806	\$754,326	\$195,375	\$1,862,507
Interest on July 1, 2009	\$912,806	\$754,326	\$195,375	\$1,862,507
Principal on July 1, 2009	\$610,000	\$516,000	\$118,000	\$1,244,000
<i>Sub-total debt service</i>	\$2,435,613	\$2,024,652	\$508,750	\$4,969,015
Administrative Expenses	\$22,996	\$21,301	\$5,203	\$49,500
Contingency	\$70,394	\$65,204	\$15,928	\$151,527
<i>Sub-total expenses</i>	\$2,529,002	\$2,111,157	\$529,882	\$5,170,041
Reserve Fund Investment Income	(\$161,346)	(\$45,210)	(\$11,017)	(\$217,573)
Surplus from Prior Year	(\$105,100)	(\$77,289)	(\$20,079)	(\$202,468)
<i>Sub-total revenues</i>	(\$266,445)	(\$122,499)	(\$31,097)	(\$420,041)
<i>Special Tax Requirement</i>	\$2,262,557	\$1,988,658	\$498,785	\$4,750,000

Administrative Expenses

Administrative expenses include the trustee, the administrator, and the expenses of the county related to the district. For the Series 1998, 2004A and 2004B Bonds, the annual charges of the trustee are estimated to be \$6,000.00, \$4,500.00 and \$4,500.00, respectively. The annual charge of the administrator is estimated to be \$15,000.00, plus an additional \$7,500.00 for the fifth year arbitrage rebate calculation on the Series 1998, 2004A and 2004B Bonds. The expenses of the county are estimated to be \$12,000.00. Accordingly, total administrative expenses are estimated to be \$49,500.00.

Contingency

A contingency, equal to approximately three percent of annual expenses has been added in the event that there are special tax delinquencies, unanticipated expenses, or investment income is less than estimated.

Reserve Fund Income

As of April 30, 2008, the balance in the Series 1998 Reserve Fund was \$3,180,759.93. The reserve requirement for the Series 1998 Bonds is \$3,000,000.00. Bond proceeds in the amount of \$3,015,803.76 are invested in a CDC Funding Corporation Guaranteed Investment Contract (GIC) earning a 5.35% rate of return per annum and maturing on July 1, 2025. The Series 1998 Reserve Fund balance in excess of the amount in the GIC may be applied to pay debt service on the Series

1998 Bonds on July 1, 2008. Accordingly, the Series 1998 Reserve Fund investment income is estimated based on the investment in the GIC of \$3,015,803.76, resulting in an estimated \$161,345.50 in investment income that may be applied to pay debt service and administrative expenses on the Series 1998 Bonds in fiscal year 2008-2009.

As of April 30, 2008, the balance the Series 2004A Reserve Fund was \$2,319,416.08. The reserve requirement for the Series 2004A Reserve Fund is \$2,260,522.31. The reserve requirement is expected to be invested in a Guaranteed Investment Contract (GIC) or Repurchase Agreement (REPO), but is currently invested in a money market fund earning 2.08 percent per annum. Interest rates have been declining over the last several months. The Series 2004A Reserve Fund balance in excess of the reserve requirement may be applied to pay debt service on the Series 2004B Bonds on July 1, 2008. Accordingly, the Series 2004A Reserve Fund investment income is estimated based on the reserve requirement and an estimated interest rate of 2.00 percent paid by the money market through July 1, 2009, resulting in an estimated \$45,210.45 in investment income that may be applied to pay debt service and administrative expenses on the Series 2004A Bonds in fiscal year 2008-2009.

As of April 30, 2008, the balance in the Series 2004B Reserve Fund was \$565,079.32. The reserve requirement for the Series 2004B Reserve Fund is \$550,870.69. The reserve requirement is expected to be invested in a Guaranteed Investment Contract (GIC) or Repurchase Agreement (REPO), but is currently invested in a money market fund earning 2.08 percent per annum. Interest rates have been declining over the last several months. The Series 2004B Reserve Fund balance in excess of the reserve requirement may be applied to pay debt service on the Series 2004B Bonds on July 1, 2008. Accordingly, the Series 2004B Reserve Fund investment income is estimated based on the reserve requirement and the interest rate of 2.00 percent paid by the money market through July 1, 2009, resulting in an estimated \$11,017.41 in investment income that may be applied to pay debt service and administrative expenses on the Series 2004B Bonds in fiscal year 2008-2009.

Surplus from Prior Year

The surplus revenues available from the prior year are shown by V-3. The surplus includes funds available in the respective administrative expense funds, the current balance in the respective reserve funds in excess of the funds invested in the GIC or the reserve requirements, and the investment income estimated to be earned on each respective reserve fund through July 1, 2008.

The surplus also includes the balances in the Special Tax Fund and the Bond Funds as of April 30, 2008. According to Frederick County, special taxes in the amount of \$4,500,194.06 were levied in fiscal year 2007-2008. As of April 30, 2008, the county reports that special taxes totaling \$4,496,418.42 had been collected, of which, \$4,445,009.16 had been transferred to the trustee by April 30, 2007. The county reports transferring the balance of the special taxes collected of \$51,409.26 in May and June 2008. (According to the county, the uncollected special tax balance of \$3,775.64 was to have been collected at tax sale on May 12, 2008, but the property owners have filed for bankruptcy protection. As a result, the lien will remain in place for collection next year. Accordingly, for purposes of calculating the surplus from the prior year, these funds have been excluded.)

Table V-3
Surplus From Prior Year
Fiscal Year 2007-2008

	Series 1998 Bonds	Series 2004A Bonds	Series 2004B Bonds	Total
Available Funds:				
Administrative expense fund at April 30, 2008	(\$21,677)	(\$55,466)	(\$18,306)	(\$95,448)
Reserve fund surplus at April 30 2008	(\$164,956)	(\$58,894)	(\$14,209)	(\$238,059)
Interest on reserve fund to June 30, 2008	(\$80,673)	(\$7,535)	(\$1,836)	(\$90,044)
Special tax fund balance at April 30, 2008	(\$1,274,410)	(\$1,180,455)	(\$288,368)	(\$2,743,233)
Bond fund balance at April 30, 2008	(\$594)	(\$601)	(\$127)	(\$1,323)
FY07-08 special taxes to be transferred	(\$23,883)	(\$22,122)	(\$5,404)	(\$51,409)
<i>Total available funds</i>	(\$1,566,192)	(\$1,325,073)	(\$328,250)	(\$3,219,516)
Debt Service:				
Semi-annual interest payment on July 1, 2008	\$929,369	\$768,188	\$198,781	\$1,896,338
Principal payment on July 1, 2008	\$530,000	\$478,000	\$109,000	\$1,117,000
<i>Total debt service</i>	\$1,459,369	\$1,246,188	\$307,781	\$3,013,338
Outstanding Administrative Expenses:	\$1,724	\$1,596	\$390	\$3,710
<i>Total expenses</i>	\$1,461,092	\$1,247,784	\$308,171	\$3,017,048
Surplus Funds FY07-08	(\$105,100)	(\$77,289)	(\$20,079)	(\$202,468)

Debt service includes the interest payments on the Series 1998, 2004A and 2004B Bonds due on July 1, 2008. The semi-annual interest payment on the Series 1998 Bonds is \$929,368.75. This is based on an outstanding term 2010 principal amount of \$1,830,000.00 earning 6.25% annually and an outstanding term 2025 principal amount of \$26,330,000.00 earning 6.625% annually. The semi-annual interest payment on the Series 2004A Bonds is \$768,188.00. This is based on an outstanding term 2020 principal amount of \$9,899,000.00 earning 5.80% annually and an outstanding term 2030 principal amount of \$16,172,000.00 earning 5.95% annually. The semi-annual interest payment on the Series 2004B Bonds is \$198,781.25. This is based on an outstanding principal amount of \$6,361,000.00 earning 6.25% annually. The principal amount due on July 1, 2008 on the Series 1998 Bonds is \$530,000.00. The principal amount due on the Series 2004A and B Bonds on July 1, 2008 is \$478,000.00 and \$109,000.00, respectively. As a result, total debt service is \$3,013,338.00.

Administrative expenses for fiscal year 2007-2008 were estimated to be \$44,500.00. As of April 30, 2008, administrative expenses totaling \$69,050.62 had been paid by the trustee, which included invoices totaling \$25,971.43 for legal services related to the proposed refunding of bonds. Outstanding invoices and the anticipated administrative expenses remaining for fiscal year 2007-2008 are estimated to be \$3,710.00. The outstanding invoices and estimated administrative expenses remaining for fiscal year 2007-2008 will have to be funded with the special taxes collected in fiscal year 2007-2008.

Debt service on the Series 1998, 2004A and 2004B Bonds and the outstanding administrative expenses for fiscal year 2007-2008 are subtracted from the available funds, resulting in a surplus of \$105,099.88 for the Series 1998 Bonds, \$77,288.80 for the Series 2004A Bonds, and \$20,079.22 for the Series 2004B Bonds. Summing the surpluses results in an aggregate surplus of \$202,467.90, which may be applied to pay debt service for fiscal year 2008-2009.

Undeveloped Property Special Tax Rate

Special taxes are levied on undeveloped property at the same rate per square foot of land area in an amount necessary to pay the “Special Tax Requirement” not paid by special taxes levied on developed property. The special tax requirement for fiscal year 2008-2009 is \$4,750,000.00. Special taxes levied on developed property in fiscal year 2008-2009 are estimated to be \$4,319,616.83. As a result, special taxes in the amount of \$430,383.16 will be levied on undeveloped property for fiscal year 2008-2009.

The special tax levied on undeveloped property may not exceed the maximum special tax for such property (\$.07 per square foot of land area). The total acreage of undeveloped property within the CDA is 552.7008 acres or 24,075,654.85 square feet of land area. The special tax per square foot is, therefore, equal to \$0.0179 ($\$430,383.16 \div 24,075,654.85 = \0.0179) per square foot.

Summary

The expenses of the CDA for fiscal year 2008-2009 are equal to \$5,170,041. The available funds to pay the expenses are estimated to be \$420,041. As a result, the special tax requirement for fiscal year 2008-2009 is \$4,750,000.

B. DELINQUENT SPECIAL TAXES

There are no delinquent special taxes for fiscal years 1998-1999 through 2005-2006.

Special taxes are payable in two equal semi-annual installments due on September 30 and December 31 of each year.

Special taxes were levied in the amount of \$4,600,404.72 for fiscal year 2006-2007. As of May 28, 2008, Frederick County reported collecting \$4,599,536.52 in fiscal year 2006-2007 special taxes. As a result, the amount of delinquent special taxes for fiscal year 2006-2007 is \$868.20.

Special taxes were levied in the amount of \$4,500,194 for fiscal year 2007-2008. As of November 13, 2008, the county has reported collecting special taxes for fiscal year 2007-2008 in the amount of \$4,499,249.60. According to the county, the special taxes in the amount of \$885.56 for account number 07-225857 were not collected because of the bankruptcy protection. The county also reports that the remaining delinquent balance was below \$100 and is expected to be collected with fiscal year 2008-2009 special taxes. According to the county, the delinquent special taxes are expected to be collected at tax sale if remains unpaid by May 2009 tax sale.

Special taxes were levied in the amount of \$4,750,578 for fiscal year 2008-2009 and were to be collected on September 30 and December 31, 2008. As of November 13, 2008, the county has reported collecting special taxes in the amount of \$3,539,916.83.

C. COLLECTION EFFORTS

According to the county, the delinquent special taxes for fiscal years 2006-2007 and 2007-2008 were not collected at tax sale as a result of bankruptcy proceedings. These amounts are expected to be collected after the end of the bankruptcy period. As of November 13, 2008, the county reports that the bankruptcy protection pertaining to account number 07-225857 has been dismissed. As result, this property is now eligible for tax sale if not paid by May 2009 tax sale.

VI. DISTRICT FINANCIAL INFORMATION

A. BONDS OUTSTANDING AND RESERVE FUND

The amount of Series 1998 Bonds outstanding as of June 30, 2008 was \$28,160,000. The balance in the Series 1998 Reserve Fund as of June 30, 2008 was \$3,181,039. This includes the original deposit of \$3,000,000 plus interest income of \$180,584. The amount of Series 2004A and B Bonds outstanding as of June 30, 2008 was \$26,071,000 and \$6,361,000, respectively. The balance in the Series 2004A Reserve Fund as of June 30, 2008 was \$2,327,179. The balance in the Series 2004B Reserve Fund as of June 30, 2008 was \$566,971.

B. PROPERTY BY OWNERSHIP AND CLASSIFICATION

The following table shows property in the district by ownership and classification (developed or undeveloped) as of February 1, 2008:

**Table VI-1
Property By Ownership
And Classification**

	Total	Developed	Undeveloped
Monocacy	1,113	1,038	75
Route 80	125	37	88
Individual property owners	2,246	2,246	0
Total	3,484	3,321	163

Developed property is determined pursuant to the definition for levying special taxes: (i) property for which a building permit has been issued or (ii) property that is subject to an owner's association by the filing of a supplemental declaration. As of February 1, 2008, the total number of lots annexed to the HOA, including seventeen commercial parcels, was 2,981. As of June 30, 2008, builders had closed on the purchase of 2,321 lots. (The parcels listed above include the residential property annexed to the CDA on June 25, 2002, which includes the Richard Ward parcel of approximately 27 acres and a remnant piece of approximately 3.25 acres from the Kiplinger lands.)

C. SPECIAL TAXES PAID BY OWNER AND CLASSIFICATION

The following table shows the special taxes to be paid by property owner and by class of property (developed or undeveloped) for fiscal year 2008-2009, based on the status and ownership of property as of February 1, 2008:

Table VI-2
Special Taxes Paid
By Owner and Classification

	Developed	Undeveloped	Total	Percent
Monocacy	\$1,031,366	\$403,235	\$1,434,600	30.20%
Route 80	\$47,573	\$27,728	\$75,301	1.59%
Individual homeowners	\$2,814,574	\$0	\$2,814,574	59.25%
Commercial property	\$425,692	\$0	\$425,692	8.96%
Total	\$4,319,205	\$430,962	\$4,750,167	100.00%
	90.93%	9.07%	100.00%	

The total amount of special taxes that could be levied in 2008-2009 was \$5,953,998 equal to 125 percent of debt service.

VII. SIGNIFICANT EVENTS

A. DEVELOPER SIGNIFICANT EVENTS

Developer significant events generally include the following:

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

Inquiries have been made to Monocacy Land Company L.L.C. and the Urbana Highlands Development Limited Liability Company regarding the occurrence of any significant event and they have reported that no significant events have occurred.

B. LISTED EVENTS

Listed events include the following:

- (i) Delinquency in payment when due of any principal of or interest on the bonds;
- (ii) Occurrence of any default under the indenture (other than described above) or the funding agreement;
- (iii) Amendment to the indenture modifying the rights of the bondowners;
- (iv) Giving notice of optional or unscheduled redemption of bonds;
- (v) Defeasance of bonds or any portion thereof;
- (vi) Any change in the rating, if any, on the bonds;
- (vii) Adverse tax opinions or events affecting the tax-exempt status of the bonds;
- (viii) Any unscheduled draws 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 released, mortgaged or pledged as security).

No listed events have been reported as of the date of this report. Additionally, there have been no reports of (i) any changes to the “Rate and Method of Apportionment of Special Taxes,” (ii) any significant amendments to land use entitlements or legal challenges to the construction of the project, or (iii) any changes in the type of public facilities to be constructed from those described in the Limited Offering Memorandum.