

**RUSSELL 150 COMMUNITY DEVELOPMENT AUTHORITY
\$5,470,000 SPECIAL ASSESSMENT BONDS, SERIES 2007A
AND
\$15,685,000 SPECIAL ASSESSMENT BONDS, SERIES 2007B
(FREDERICK COUNTY, VIRGINIA)**

SIGNIFICANT EVENT NOTICE

NON-PAYMENT RELATED DEFAULT

Pursuant to Section 3 (ii) of the Continuing Disclosure Agreement, dated May 1, 2007, there has been a non-payment related default due to the failure by the Developer to pay the quarterly facility maintenance fees (as more fully describe in the attached letter provided by the Developer) pursuant to the Debt Service Reserve Fund Agreement (“DSRF Agreement”) between MMA Realty Capital, LLC and Russell 150, LC (the “Developer”). MMA Realty Capital, LLC notified the Developer of the defaults under the DSRF Agreement and other related agreements in a letter to the Developer dated August 14, 2009 (see attached letter). MMA Realty has demanded that the Developer remedy the defaults and provide written evidence of having remedied the defaults.

Financial Records of the Developer

Section 7(e) requires the Developer to provide to MRC within 120 days of the close of each fiscal year copies of its most recent consolidated financial statements prepared consistent with the requirements of the DSRF Agreement. The required financial statements have not been provided.

Omnibus Compliance Provision of the DSRF Agreement

Section 7(d) of the DSRF Agreement provides that “The Developer shall not commit, suffer or permit any act to be done with respect to the Development in violation of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the Development and shall promptly correct any such non-compliance.” The Developer has breached this covenant in ways including, but not necessarily limited to the following:

- (a) The official web site of the Frederick County Treasurer shows that taxes on the property due on July 17, 2009 in the amount \$695,000.00 have not been paid and that in addition to the base tax amount, a penalty of \$69,500.00 and interest of \$12,741.15 (as of 8/4/09) is due. This is a total of \$777,241.15 that would be required to comply with your promise in the DSRF Agreement and under the Development/Acquisition Agreement (the “D/A Agreement”) associated with the Bonds to conform to the laws, rules and regulations of any governmental authority.
- (b) The Developer submitted to MRC a requisition dated September 4, 2007 that included a request for \$469,829.66 for payment to Allegheny Power for the cost of installing power lines under ground. Those funds were disbursed by the Trustee, but were not paid through to Allegheny Power and the Developer has not responded to requests to either account for disposition of those funds or to return the funds. Section 6.2 of the Bond Indenture requires that money from the Project Fund be used solely to pay Costs of the Facilities. In addition, Article 4 of the D/A Agreement provides for payments to the Developer for Actual Costs of the Facilities as substantiated by invoices. Use of these funds for a purpose other than as-related to the invoice submitted breaches the D/A Agreement, especially if it was used for some purpose other than Actual Costs of the CDA Facilities.
- (c) Section 3.02 of the D/A Agreement requires the Developer to pursue the construction of the Facilities in a good, workmanlike and commercially reasonable manner with the standard of diligence and care normally employed by duly qualified persons utilizing their best efforts in the performance of comparable work. The report of the inspecting engineer engaged by MRC indicates that the Developer halted work on the project on or about September, 2008. Discontinuation of work on the project is contrary to undertaking construction in a good, workmanlike and commercially reasonable manner with the standard of diligence and care normally employed by duly qualified persons utilizing their best efforts in the performance of comparable work.

Re: Russell 150 Project – Defaults

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MRC demands that the Developer take immediate corrective action to cure the defaults described above and to provide evidence of the defaults having been cured. MRC reserves all rights under the Bond documents and all rights to remedies at law or in equity.

Very truly yours,



Robert McLewee
Senior Vice President

cc: Bonnie M France, Esq.
Regions Bank – Corporate Trust Department
John R. Riley, Jr.
John Marker
Richard Shickle
Michael Muller, Esq.
Thomas Lawson, Esq.