

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending September 30, 2005

*\$30,350,000 Anne Arundel County, Maryland
Arundel Mills Project
Series 2004 Refunding Bonds*

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MUNICAP, INC.

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ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

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I. UPDATED INFORMATION

Information updated from the Annual Continuing Disclosure Report dated March 31, 2003 is as follows:

- The construction of additional lanes along MD Route 295 is 100% completed.
- The widening of Dorsey Road was a potential project and only related to the development of the J&K Blocks which have not occurred. As such, the widening of Dorsey Road was not cancelled, but has not been required as of yet and may not be necessary depending on the future development of these blocks.
- As of September 30, 2005, leases have been signed with 16 anchor stores and 148 out of the proposed 149 specialty stores totaling 98.75% of the leaseable space within the mall.
- According to the developer, a sixteenth anchor, Medieval Times, opened in the second quarter of 2003.
- According to the developer, actual gross sales per square foot for the mall parcel for the twelve months ending September 30, 2005 was \$297
- As of September 30, 2005, there have been twenty-two auxiliary-use parcel lots sold within the district. (See page 11.)
- According to the developer, Last Call Neiman Marcus has leased parcel D-2. Construction has begun and the developer anticipates an opening in the spring of 2006.
- The developer reports that construction is complete on the following auxiliary-use parcel lots and the following tenants are open for business: the 131-room Residence Inn Hotel, a Safeway Grocery Store, The Anne Arundel County Community College Annex, Damon's Restaurant, Golden Coral Restaurant, Chipolte Restaurant, The Men's Warehouse, Bay-Vanguard Federal Savings Bank and Pier I Imports.
- As of September 30, 2005 the outstanding balance on the \$188 million Hypo Vereinsbank construction loan was zero. The original loan was refinanced into a Morgan Stanley securitized loan in May of 2003. The balance on the loan is \$187,000,000, with an interest rate of 4.606%, maturing on June 9, 2010.
- As of September 30, 2005 total construction draws for the construction of public improvements were \$29,870,391 or 96.4% of the budget for public infrastructure.
- The phased-in assessed value of the taxable property within the district as of July 1, 2005 increased by \$372,744,125 from the base year (\$14,713,200 in 1999) to \$387,457,325.

- According to the county, the ad valorem tax rate has decreased from \$0.941 to \$0.931 per \$100 of assessed value for fiscal year 2005-2006.
- Property tax increment revenues collected in 2005-2006 are expected to be sufficient to pay debt service for the year. Accordingly, special taxes will not be levied for fiscal year 2005-2006. (See pages 17 through 22.)
- According to the county, \$3,415,305 in tax increment revenues for fiscal year 2005-2006 have been collected, which is \$92,217 less than the estimated tax increment revenues of \$3,507,522 for fiscal year 2005-2006. According to Anne Arundel County, there are no delinquent fiscal year 2005-2006 ad valorem taxes. According to Anne Arundel County, the difference between the estimated and actual tax increment revenues for fiscal year 2005-2006 is explained by a \$5,901,466 (i.e., \$381,555,859 - \$387,457,325) decrease in the assessed value of the property within the district for fiscal year 2005-2006 and a decrease in the tax rate from \$0.941 to \$0.931 for fiscal year 2005-2006. There were no special taxes levied for fiscal year 2005-2006. Accordingly, there are no delinquent special taxes at this time.

II. INTRODUCTION

Anne Arundel County, Maryland (the “County”) issued the \$30,350.00 Series 2004 Refunding Bonds to defease and refund the \$28,000,000 Series 1999 Special Obligation Bonds (Arundel Mills Project). The Series 2004 Refunding Bonds were issued pursuant to the provisions of the Refunding Act, the Tax Increment Act, the Special Taxing District Act, Bill No. 9-04, which was passed by the County Council on March 15, 2004 and approved by the County Executive and enacted on March 18, 2004 (the “Arundel Mills Ordinance”), and an Indenture of Trust, dated as of May 1, 2004 (the “Arundel Mills Indenture”), by and between the County and Manufacturers and Traders Trust Company, as trustee (the “Trustee”).

The property in the special tax district is located in Anne Arundel County, Maryland, and consists of 394 acres of land within the Baltimore/Washington Corridor at the southeast quadrant of the intersection of Maryland Route 100 and the Baltimore-Washington Parkway (Maryland Route 295).

The property in the district is currently being developed by Arundel Mills Limited Partnership. The development includes a super-regional value and entertainment mall and mixed-use development that includes retail, hotels, and office space.

Pursuant to the Official Statement, (OS) \$30,350,000 in refunding bonds (Series 2004) were sold to refund the Series 1999 Bonds, which were issued to finance the public improvements serving the property located within the special tax district. The county, subject to certain bond tests, may, but does not expect to, issue additional bonds.

Pursuant to the continuing disclosure agreement, the developer and administrator have agreed to provide certain information regarding the development of the property and the operations of the district. These reports are not provided pursuant to Rule 15c2-12.

The information in this report on development activity was provided by the developer (Arundel Mills, Limited Partnership) and is believed to be accurate; however, no effort has been made to independently verify the information.

Baltimore-Washington Regional Map

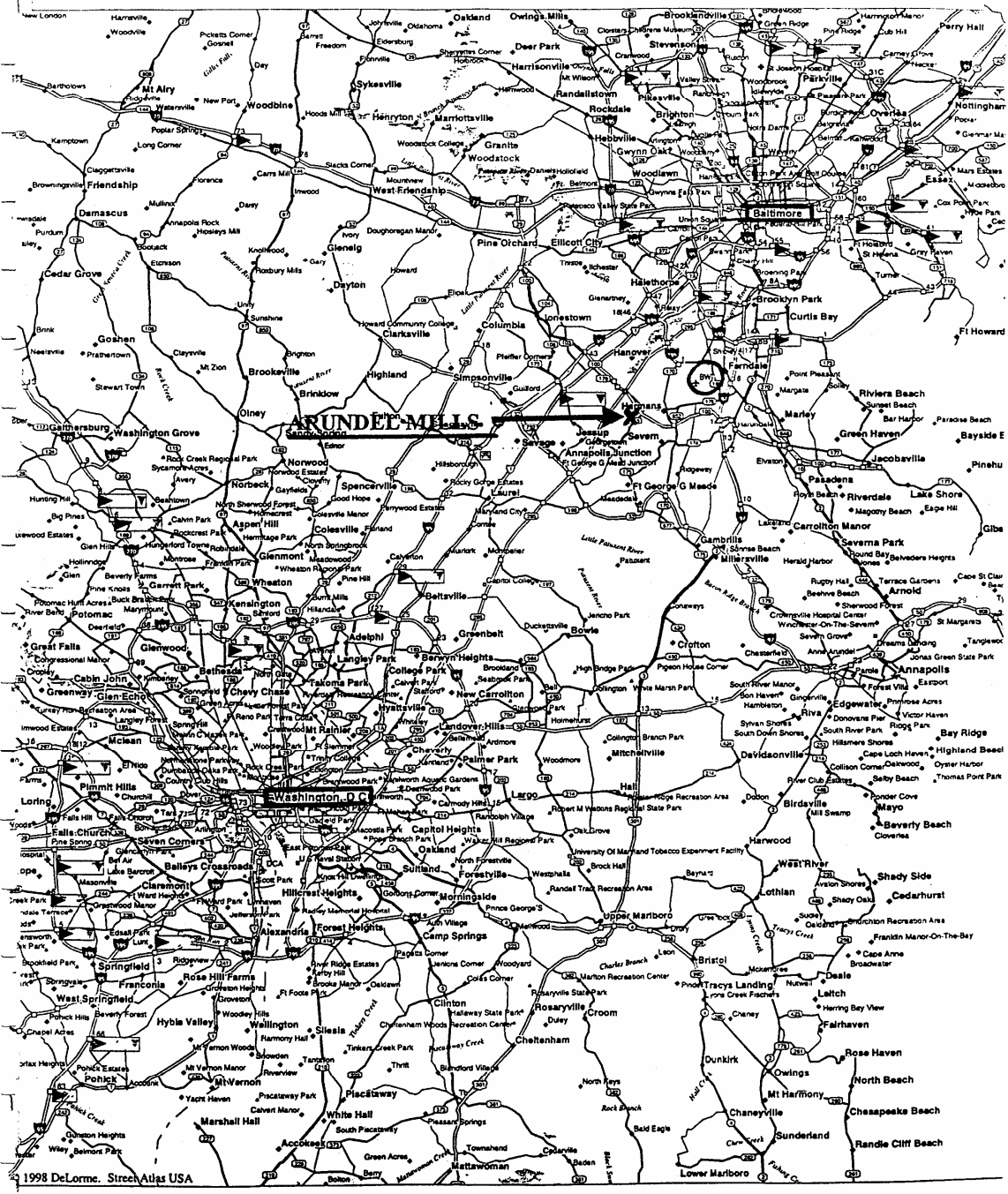


Figure 1 - Regional Location Map

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The Arundel Mills project is located in Anne Arundel County, Maryland, and consists of approximately 394 acres of land within the Baltimore/Washington Corridor at the southeast quadrant of the intersection of Maryland Route 100 and the Baltimore-Washington Parkway (Maryland Route 295). The land in the district is comprised of two parcels, a site of approximately 174 acres (the mall parcel) and an adjacent site of approximately 220 acres (the auxiliary-use parcel) of which approximately 135 acres are developable. Arundel Mills was planned as a super-regional value and entertainment oriented mall, which will consist, when completed, of approximately 1.6 million square feet of gross floor area. The developer has estimated that when completed, the Arundel Mills Mall would include 1,274,107 square feet of leaseable space.

The developer originally anticipated that 720,000 square feet of leaseable anchor space and 560,000 square feet of leaseable specialty store space would be created. The current plan is for the mall to consist of 16 anchor tenants occupying approximately 761,019 square feet of leaseable area around an oval corridor. Additionally, 149 specialty retail stores, consisting of approximately 513,088 square feet of leaseable area, will complete the outer oval and also occupy portions of the central mall area. The mall includes a multi-screen cinema complex, a food court, several major book and music tenants as well as a number of manufacturing retailers, off-price fashion retailers and category dominant stores (*i.e.*, stores with extensive inventory and selection in a particular market category).

The conceptual plan envisioned by the developer anticipated that the proposed auxiliary-use parcel would be subdivided and developed as theme restaurants, fast food outlets, gas and convenience stores, retail outlets, offices, hotels and a community center. Although the developer had made no commitment to develop the auxiliary-use parcel, the auxiliary-use parcel has been developed by Arundel Mills Residual, LTD an affiliated entity of the Mills Corporation other than the developer.

The construction of public infrastructure improvements funded with bond proceeds included a new interchange along the Baltimore-Washington Parkway, the provision of additional traffic lanes along the Baltimore-Washington Parkway between Maryland Route 100 and Maryland Route 175, the addition of a left turn lane from Ridge Road to Maryland Route 100, the widening of the Maryland Route 100 on-ramp, the extension of the Ridge Road acceleration lane, the construction of Arundel Mills Boulevard, the relocation of Ridge Road, the widening of Dorsey Road as well as water and sewer lines.

Prior to bond issuance, Hypo Vereinsbank (the "Bank") had approved a construction loan to the developer, which was subject to credit approval by the bank. The terms of the construction loan provided a repayment schedule of three years with an option for two one-year extensions, subject to certain conditions, with payments of interest only during the loan period. The maximum balance of the construction loan may not exceed \$188,000,000. The construction loan was secured by a mortgage on the mall parcel. The construction loan and the additional construction cost were refinanced into a permanent loan in May of 2003. The balance on the loan is 187,000,000, with an interest rate of 4.606%, maturing on June 9, 2010.

B. GOVERNMENTAL APPROVALS AND PERMITS

The zoning classification for the property in the district, which was in place at the time the Series 1999 Bonds were issued, is W-1 and C-2, which are commercial zoning categories in the county. The uses allowed under W-1 zoning are automobile service facilities, hotels and motels, professional office and research and development facilities among others. The uses allowed under C-2 zoning are alcoholic beverage sales, restaurants, auxiliary retail services, drug stores, banks and professional offices among others.

Additionally, the county adopted special legislation (Bill No. 62-98, enacted August 23, 1998 and Bill No. 80-98, enacted September 16, 1999) for the Arundel Mills project creating a “Regional Commercial Complex” conditional use within W-1 and C-2 zones. The Regional Commercial Complex conditional use also permits land uses consistent with C-3 zoning, which includes a much broader array of permitted retail uses than a combination of W-1 and C-2. Together, the combined three zoning classifications are expected to accommodate the proposed development of the property.

At the time the Series 1999 Bonds were issued, the governmental approvals and permits issued for the construction of the project included administrative plat review, mass grading permit, concept plan review, wetlands permit, and the foundation and steel erection building permits. The developer had also received verbal approval from the county for adequate public roads.

Subsequently, governmental approvals and permits have been issued for the adequate public roads for Routes 100 and 713, public works and utility agreements, the final building permit, highway access permits, and the widening of the Baltimore-Washington Parkway.

C. STATUS OF DEVELOPMENT

(i.) Status of Mall Construction

The developer hired the Maryland based general contractor, Whiting-Turner Contracting Company, to construct the Arundel Mills Mall and construction commenced in June 1999. The construction of white box space for tenants began on May 16, 2000 and the mall was completed and opened to the public on November 17, 2000. As of September 30, 2005, leases have been signed with 16 anchor stores and 148 out of the proposed 149 specialty stores totaling 99.75% of the leaseable space within the mall.

(ii.) Status of Auxiliary-Use Parcel Construction

The conceptual plan envisioned by the developer anticipated that the proposed auxiliary-use parcel would be developed as theme restaurants, fast food outlets, gas and convenience stores, retail outlets, offices, hotels and a community center.

The developer of the auxiliary-use parcel has been named as Arundel Mills Residual, LTD. Table III-I below shows the status of construction and occupancy of the auxiliary use parcel as of September 30, 2005.

Table III-1
Auxiliary-Use Parcel Construction Status

Owner	Use	Lot	Construction Status	Occupancy Status
Transmills, LLC	Jared's Jewelry	E-4	Complete	Opened on 09/22/01
Skye Arundel I, LLC	Hampton Inn	B-2	Complete	Opened on 09/22/01
Costco	Big Box Retail	F-2	Complete	Opened on 12/01/01
System Capital Real Property	McDonald's	D-1	Complete	Opened on 12/15/01
Chick-Fil-A Restaurants	Chick-Fil-A	E-1	Complete	Opened on 04/18/02
Hahn Walsh, LLC	Wendy's	E-2	Complete	Opened on 04/27/02
Wal-Mart	Big Box Retail	F-1	Complete	Opened on 06/19/02
Chevy Chase Bank	Bank	H-5	Complete	Opened on 08/01/02
Arundel Mills Residual, LP	PetSmart	G-2	Complete	Opened on 10/07/02
Arundel Mills Residual, LP	Circuit City	G-2	Complete	Opened on 08/22/02
Arundel Mills Residual, LP	Michaels	G-2	Complete	Opened on 09/05/02
Arundel Mills Residual, LP	Staples	G-2	Complete	Opened on 11/11/02
Exxon/Mobil Corporation	Gas Station	D-6	Complete	Opened on 11/21/02
TGI Friday's, Inc.	TGI Friday	H-1	Complete	Opened on 03/03/03
Arundel Mills Residual, LP	Mattress Warehouse	G-2	Complete	Opened on 03/21/03
Skye Hospitality I, LLC	Residence Inn	B-3	Complete	Opened on 05/21/03
Arundel Mills Residual, LP	AA County Community College	M-2	Complete	Opened on 07/11/03
Exxon/Mobil Corporation	Gas Station	G-1	Complete	Opened on 08/20/04
Four Acres, LLC	Damon's Restaurant	D-2	Complete	Opened on 08/25/03
Safeway, Inc.	Grocery Store	H4/6	Complete	Opened on 10/01/03
BR of Wisconsin 34, LLC	Pier One	H2/3	Complete	Opened on 12/05/03
Bank of America, NA	Bank	D-5	Complete	Opened on 12/17/03
Bay Vanguard Federal Savings	Bank	G-3	Complete	Opened on 02/27/04
Golden Corral of Arundel Mills LLC	Golden Corral	D-4	Complete	Opened on 09/01/04
WSG Hanover One, LLC	Chipolte Restaurant	D-3	Complete	Opened on 11/05/05
Four Acres, LLC	Last Call Neiman Marcus	D-2	Under Construction	Opening Spring 2006

The developer reports that they have retained ownership of parcels G-2 and M-2 and have signed ground leases with the following tenants for those parcels: Circuit City, PetSmart, Michaels, Mattress Warehouse and Staples for parcel G-2, and a 66,000 square foot annex of the Anne Arundel County Community College for parcel M-2.

According to the developer, Last Call Neiman Marcus has leased parcel D-2. Construction has begun and the developer anticipates an opening in the spring of 2006.

(iii.) Leasing Status

Mall Parcel

At the time of issuance of the Series 1999 Bonds, the developer reported that leases with six of the proposed 16 anchors were near completion. Additionally, the developer reported that leases for 17% of the leaseable space reserved for 149 specialty stores were near completion. As of September 30, 2005, the developer has reported 16 fully executed leases with anchors for 761,019 square feet. Additionally, the developer has reported that as of September 30, 2005, 148 fully executed leases for 497,183 square feet. The total leaseable space is 1,274,107 square feet, 98.75% of which is now leased.

Table III-2 on pages ten and eleven provides a list of those anchors and specialty shops that were reported as tenants in the Arundel Mills Mall as of September 30, 2005. According to the developer, Medieval Times opened in the second quarter of 2003. According to the developer, Last Call Neiman Marcus has leased parcel D-2, and anticipates opening in spring of 2006. According to the developer, actual gross sales per square foot for the mall parcel for the twelve month period ending September 30, 2005 was \$297.

Table III-2
Status of Mall Parcel Leasing

Anchors:

Bass Pro Shop
 Bed Bath & Beyond
 Books A Million
 Burlington Coat Factory
 Children's Place
 For Your Entertainment
 H&M
 Jillians
 Medieval Times
 Muvico Cinema
 Off Broadway Shoes
 Off Fifth Saks
 Old Navy
 Sun & Ski
 TJ Maxx
 The Last Call
 Neiman Marcus
 (opening spring 2006)

Specialty Shops:

Beauty Aid & Salons

Bath & Body Works/
 Beauty Express
 Beauty Outlet, The
 Cosmetic Company, The
 Fragrance Depot, The
 Master Cuts
 Nail Trix
 The Body Shop

Books & Stationary

American Greetings

Electronics

Radio Shack

Fashion & Accessories

Aerospatale Outlet
 Ann Taylor Loft
 Athlete's Foot
 Banana Republic
 Benetton
 Big Dog Sportswear
 Carter's For Kids
 Casual Corner Annex
 Charlotte Ruse
 Changes

Specialty Shops cont.:

Fashion & Accessories

Dress Barn
 Eddie Bauer Outlet
 Etinne Aigner
 Footlocker
 Gap Outlet
 Guess Factory Store
 Hagger Clothing Company
 Hot Topic Outlet
 International Exchange
 Jones New York Country
 Jarman
 Jos A. Bank
 Journeys
 Kasper A.S.L.
 Kenneth Cole New York
 Last Stop
 Leggs/Hanes/Bali/Playtex
 Levi's Dockers
 Lids
 Limited Too Outlet
 Liz Claiborne
 Liz Claiborne Shoes
 LVL X Direct
 Merlo's Cutting Edge Outlet
 Motherhood Maternity
 New York Warehouse
 Nine West Outlet
 Osh Kosh B'Gosh
 Pacific Sunwear
 Payless Shoes
 Quicksilver Company Store
 Rave Girl
 Scrubs & Beyond
 S & K Menswear
 Shoe Carnival
 Skechers USA
 Stride Rite, Keds, Sperry
 Suit Factory
 The Gap
 Ties, Shirts & More
 Vans
 Wilson's Leather

Specialty Shops cont.:

Food

Auntie Anne's
 Ben & Jerry's
 Chevy's Fresh Mex
 Chili's
 Cinnabon
 Dairy Queen/Orange Julius
 DuClaw Brewing Company
 Fuzie
 Johnny Rockets
 Mrs. Fields
 Remomo
 Rocky Mountain Chocolate
 Starbucks
 Sweets from Heaven
 Wetzel's Pretzels

Health

GNC Value & Nutrition
 Vitamin World

Home Furnishings

Country Clutter
 Gadgets & More
 Island Rattan
 Kirkland's Outlet
 Mikasa Factory Store
 Select Comfort
 World Accents

Jewelry

CR Jewelers
 Jewelry Service Center
 Manhattan Jewelers
 Reeds Jewelers
 Timex Store Outlet
 Ultra Jewelers
 Watch World
 Whitehall Jewelers
 Zales

Optical

Doctor's Visionworks

Specialty Shops cont.:

Optical

Icing By Claire's
Sunglass Hut

Photography

Picture People
Ritz Camera

Services

Bubbles Express
Cingular Wireless
EB Games
Nextel
North Arundel Hospital
Simply Wireless
T-Mobile

Specialty Gifts

Candy World
Dollar Days
Hot Wax Candle Company
NY Perfumery Outlet
Perfumania
Sanrio's
Spencer Gifts
Tobacco Leaf

Sporting Goods

Sport Zone
Swim & Sport

Toys & Games

Games Workshop
Game Stop
KB Toys

Travel

Leather Man Outlet
Samsonite Company Store

(iv.) Status of Lot Sales

Auxiliary-Use Parcel

According to the developer, as of September 30, 2005 there have been twenty-two lots sold, totaling approximately 73.81 acres, within the auxiliary-use parcel. These sales are listed in Table III-3 below. (As shown in Table VI-2 in Section VI, “District Financial Information” below, not all of these lot sales have been recorded by the county.)

The developer reports that construction is complete on each of the auxiliary-use parcel lots that have been sold and the following tenants are open for business: the 131-room Hampton Inn, the 131-room residence Inn, the McDonald’s Restaurant, the Damon’s Restaurant, the Chipolte Restaurant, the Golden Corral Restaurant, the Bank of America, the two Exxon-Mobil Gas Stations, the Chick-Fil-A Restaurant, the Wendy’s Restaurant, Jared’s Jewelers, Wal-Mart, Costco, the Men’s Warehouse Clothier, the Bay Vanguard Bank, the TGI Friday’s Restaurant, the Pier I Imports, the Safeway Grocery Store and the Chevy Chase Bank.

Table III-3
Auxiliary-Use Parcel Lot Sales

Owner	Lot	Acres	Land Use
Skye Arundel I, LLC	B-2	3.38	131-room Hampton Inn
Skye Hospitality I, LLC	B-3	4.11	131-room Residence Inn
System Capital Real Property	D-1	1.14	McDonald’s Restaurant
Four Aces, LLC	D-2	1.55	Damon’s Restaurant
WSG Hanover One, LLC	D-3	1.45	Chipolte Restaurant
Golden Corral of Arundel Mills LLC	D-4	1.91	Golden Corral
Bank of America, NA	D-5	1.10	Bank
Exxon-Mobil Corporation	D-6	1.75	Gas Station
Exxon-Mobil Corporation	G-1	2.79	Gas Station
Chick-Fil-A Restaurants	E-1	1.23	Chick-Fil-A
Hahn Walsh, LLC	E-2	1.15	Wendy’s Restaurant
Transmills, LLC	E-4	1.01	Jared’s Jewelers
Wal-Mart Real Estate Business Trust	F-1R	15.70	Big Box Retail
Costco	F-2R	16.00	Big Box Retail
WSG Arundel Two, LLC	F-3	1.40	Men’s Warehouse
Bay-Vanguard Federal Savings Bank	G-3	0.93	Bank
TGI-Friday’s, Inc	H-1	1.72	TGI Friday Restaurant
BR of Wisconsin 34, LLC	H-2/3	1.99	Pier I Imports
Safeway, Inc	H-4/6	12.51	Grocery Store
Chevy Chase Bank	H-5	0.99	Bank

(v.) Status of Financing

Prior to bond issuance, Hypo Vereinsbank (the “Bank”) had approved a construction loan to the developer, which was subject to credit approval by the bank. The terms of the construction loan

provided a repayment schedule of three years with an option for two one-year extensions, subject to certain conditions, with payments of interest only during the loan period. The maximum balance on the construction loan may not exceed \$188,000,000. Conditions to closing on the construction loan included: an initial equity contribution by the developer of \$70,000,000, issuance of the Series 1999 Bonds, executed leases for at least 25% of the leaseable mall parcel, and an appraisal verifying a loan to value ratio of not less than 75% on the mall parcel upon completion of Arundel Mills.

At the time the Series 1999 Bonds were issued, the developer anticipated that closing on the construction loan would take place no later than January 2000. According to the developer, financing of the construction loan closed on May 22, 2000.

The original loan was refinanced into a Morgan Stanley securitized loan in May of 2003. The balance on the loan is \$187,000,000, with an interest rate of 4.606%, maturing on June 9, 2010.

D. PUBLIC IMPROVEMENTS

The proceeds of the original bonds were used to fund the costs of public improvements required for the development of the Arundel Mills project. In order to serve the project, the developer anticipated the construction of the following public improvements: a new interchange along Baltimore-Washington Parkway, the provision of additional traffic lanes along the Baltimore-Washington Parkway between Maryland Route 100 and Maryland Route 175, the addition of a left turn lane from Ridge Road to Maryland Route 100, the widening of the Maryland Route 100 on-ramp, the extension of the Ridge Road acceleration lane, the construction of Arundel Mills Boulevard, the relocation of Ridge Road, the widening of Dorsey Road as well as water and sewer lines.

The widening of Dorsey Road was a potential project and only related to the development of the J&K Blocks which have not occurred. As such, the widening of Dorsey Road was not cancelled, but has not been required as of yet and may not be necessary depending on the future development of these blocks.

The new interchange along the Baltimore-Washington Parkway, the addition of new lanes to the Baltimore-Washington Parkway and a portion of the construction of Arundel Mills Boulevard are not necessary for the development of the mall parcel. The costs related to such improvements were expected to be funded by the developer to the extent proceeds of the Series 1999 Bonds were not sufficient.

Table III-4 below shows the current status of the construction of the public improvements as of September 30, 2005. Table III-5 on the following page shows the budget for the public improvements and construction draws as of September 30, 2005.

Table III-4
Status of Public Infrastructure Construction

Construction Activity	Percent Complete	Status
Construction of Interchange along MD Route 295	100%	Complete
Additional Lanes along MD Route 295	100%	Complete
Left Turn Lane from Ridge Road to MD Route 100	100%	Complete
Widening of MD Route 100 on-ramp	100%	Complete
Extension of Ridge Road Acceleration Lane	100%	Complete
Relocation of Ridge Road	100%	Complete
Arundel Mills Boulevard (Phase I)	100%	Complete & application approved.
Arundel Mills Boulevard (Phase II)	100%	Complete
Widening of Dorsey Road	0%	Project Canceled
Public Utilities	100%	Complete

Table III-5
Arundel Mills Project Budget and Expenditures for Public Improvements

Public Improvement	Budget	Construction Completed	Percent Complete
Construction of Interchange along MD Route 295	\$5,749,800	\$5,749,800	100.0%
Additional Lanes along MD Route 295	\$6,767,200	\$6,730,491	100.0%
Left turn lane from Ridge Road to MD Route 100, widening of MD Route 100 on-ramp, extension of Ridge Road acceleration lane and the relocation of Ridge Road	\$2,231,700	\$2,231,700	100.0%
Arundel Mills Boulevard (Phase I)	\$4,079,200	\$4,079,200	100.0%
Arundel Mills Boulevard (Phase II)	\$4,079,200	\$4,079,200	100.0%
Widening of Dorsey Road	\$1,077,500	\$0	0.0%
Public Utilities	\$7,000,000	\$7,000,000	100.0%
TOTAL:	\$30,984,600	\$29,870,391	96.4%

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2004 Bonds is Manufacturers and Traders Trust (formerly Allfirst Trust Company, National Association). The 9/30/2005 balance, interest paid, disbursements, special assessment collections, additional proceeds, and account balances for each fund as of September 30, 2005, are shown by the following table:

Table IV-1

	Balance 09/30/04	Interest Paid	Additional Proceeds	Disbursements	Balance 09/30/05
Escrow Deposit Fund	\$32,951,516	\$1,140,323	\$0	\$1,988,000	\$32,103,839
Administrative Expense	\$0	\$126	\$27,799	\$8,853	\$19,072
Cost of Issuance Acct	\$5,694	\$61	\$0	\$5,746	\$9
Debt Service Fund	\$320,006	\$4,300	\$1,709,558	\$2,033,813	\$51
Total	\$36,812,137	\$1,311,206	\$2,056,895	\$5,209,113	\$34,971,125

Additionally, \$32,103,839 is being held in an Escrow Fund to defease the Series 1999 Bonds.

Additional proceeds to the debt service fund were transfers of tax increment revenues held by the county and used to pay debt service on the Series 2004 Bonds. Additional proceeds to the Administrative Expense Fund are transfers of tax increment revenues held by the county to fund administrative expenses.

The interest paid through September 30, 2005 does not include interest accrued but not yet paid. Table IV-2 below shows the approximate rate of return on the investments. Remaining bond proceeds are invested in U.S. Treasury money market accounts earning between 3.16 and 3.92%.

Investment income on the debt service fund will be applied to the payment of debt service. Investment income on the administrative expense fund will remain in the fund and will be used to pay administrative expenses. Investment income on the project fund will remain in the fund until an authorized officer certifies that amounts then on deposit are not expected to be expended, at which time amounts exceeding the reserve requirement will be transferred to the debt service fund to redeem principle or pay interest on the bonds. Investment income on the capitalized interest account will be used exclusively for the payment of debt service on the bonds. Investment income on the cost of issuance account will remain in the account until it is closed, and upon the direction of an authorized officer, the remaining balance will be transferred to the administrative expense fund.

Table IV-2

Account	Rate of Return
Escrow Deposit Fund	3.52%
Debt Service Fund	3.92%
Administrative Expense	3.16%

DISTRICT OPERATIONS

A. SPECIAL TAX REQUIREMENT

A special tax is to be levied up to the maximum special tax rate in a an amount equal to the special tax requirement. The special tax requirement is generally equal to (i) annual debt service, (ii) other expenses of the country related to the district, less (iii.) tax increment revenues.

Table V-1 provides a summary of the special tax requirement for fiscal year 2005-2006. Tax increment revenues will be sufficient to pay debt service on the bonds and administrative expenses. Accordingly, the special tax requirement for the 2005-2006 is zero. Each of these numbers is explained in the following sections.

**Table V-1
FY05-06 Special Tax Requirement**

Debt Service:	
Interest Payment, January 2006	\$751,491
Interest Payment, July 2006	\$751,491
Principal Payment, July 2006	\$0
Total Debt Service	\$1,502,981
Administrative Expenses	\$16,000
Contingency	\$50,000
Sub-total expenses	\$1,568,981
Tax Increment Revenues	(\$3,507,522)
Surplus from Prior Year	(\$0)
Special Tax Requirement for FY05-06	\$0

(i.) Debt Service

Debt service includes interest payments of \$751,490.63 on the Series 2004 Bonds due on January 1, 2006 and July 1, 2006 These payments equal interest for six months on the following term bonds:

Serial Bonds of:	
\$300,000 at 3.00%	\$9,000.00
\$705,000 at 3.50%	\$24,675.00
\$630,000 at 4.00%	\$25,200.00
\$950,000 at 4.50%	\$42,750.00
\$1,040,000 at 4.50%	\$46,800.00
\$1,140,000 at 4.50%	\$51,300.00
\$1,240,000 at 4.50%	\$55,800.00
\$1,345,000 at 5.125%	\$68,931.25
\$1,470,000 at 5.125%	\$75,337.50
\$1,600,000 at 5.125%	\$82,000.00
\$1,740,000 at 5.125%	\$89,175.00

\$1,885,000 at 5.125%	\$96,606.25
\$2,040,000 at 5.125%	\$104,550.00
\$2,205,000 at 5.125%	\$113,006.26
Term 2013 Bonds of \$1,000,000 at 5.00%	\$50,000.00
Term 2029 Bonds of \$11,080,000 at 5.125%	\$567,850.00
Total:	\$1,502,981.26

There is no principal amount due on July 1, 2006; total debt service is, therefore, \$1,502,981.26.

(ii.) Administrative Expenses

Administrative expenses include the trustee, the administrator, and the expenses of the county related to the district. The annual charges of the trustee are estimated to be \$4,500.00 The fees and expenses of the administrator are estimated to be \$8,500.00 The expenses of the county are estimated to be \$3,000.00 Accordingly, the total administrative expenses are estimated at \$16,000.00.

(iii.) Contingency

A contingency, equal to approximately three percent of annual debt service, has been added in case there are unanticipated expenses or property tax delinquencies.

(iv.) Tax Increment Revenues

The full cash value of the taxable property in the tax increment district for the base year was equal to \$14,713,200, resulting in assessed value of \$5,885,280. The phased-in full cash value of the taxable property in the district as of July 1, 2005 is \$387,457,325. Beginning with the 2001-2002 fiscal year, assessed value is equal to full cash value; accordingly, the assessed value of the taxable property in the district for fiscal year 2005-2006 is equal to the full cash value, that is, \$387,457,325. The incremental assessed value is, therefore, equal to \$372,744,125 (\$387,457,325 - \$14,713,200 = \$372,744,125). The increment value is calculated based on the full cash value in the base year, since the effect of converting to an assessed value equal to full cash value is intended to be revenue neutral.

The real property tax rate for Anne Arundel County in fiscal year 2004-2005 was equal to 0.941 per \$100 of assessed value. For purposes of estimating tax increment revenues for fiscal year 2005-2006, the same real property tax rate of \$0.941 is assumed. Accordingly, based on the incremental assessed value in the district and the real property tax rate, the tax increment revenues are estimated to be equal to \$3,507,522.22.

(v.) Surplus from Prior Year

The estimated surplus from the prior year that may be applied to pay debt service and administrative expenses in fiscal year 2005-2006 is shown below in Table V-2. Tax increment revenues were estimated to be \$3,224,200.33 for fiscal year 2004-2005. According to Anne Arundel County, \$3,290,414.00 in tax increment revenues, representing 100% of the tax increment revenues due for fiscal year 2004-2005, have been collected. According to Anne Arundel County, the

\$66,213.67 increase between the estimated and actual tax increment revenues for fiscal year 2004-2005 is explained by a decrease in the real property tax rate from \$0.955 to \$0.941 per \$100 of assessed value and an aggregate increase in assessed value of \$12,059,400 for parcels 4005-9021-3970, 4005-9021-3971, 4005-9022-0728, 4005-9022-0729, 4005-9022-0730 and 4005-9022-0731 by the Maryland State Assessor's Office.

Anne Arundel County transferred \$959,583.12 to the trustee on January 3, 2005 to make the semi-annual debt service payment on on that date of \$959,583.12, which was equal to interest on the Series 2004 Bonds from May 11, 2004 through January 1, 2005. As a result, the county is currently holding additional tax increment revenues totaling \$2,330,830.88. As of March 1, 2005, the balance in the debt service fund was \$322,662.73. Together with the balance currently held in the debt service fund, a portion of the tax increment revenues held by the county will be transferred to make the semi-annual debt service payment of \$751,490.63 on the Series 2004 Bonds on July 1, 2005, resulting in a surplus of tax increment revenues of \$1,902,002.98. The balance of these revenues may be transferred to the general fund and are, therefore, not assumed to be available to pay debt service and administrative expenses in fiscal year 2005-2006.

Table V-2
Surplus from Prior Year

Debt Service:	
Interest on July 1, 2005	\$751,491
Principal on July 1, 2005	\$0
<i>Total Debt Service</i>	\$751,491
Available Funds:	
TIF Revenues held by county	\$2,330,831
<i>Debt Service Fund Balance at March 31, 2005</i>	\$322,663
<i>Total Available Funds</i>	\$2,653,494
Funds transferred to the County's General Fund	\$1,902,003
Surplus from Prior Year	\$0

As a result, the surplus estimated to be available to be applied to the budget for fiscal year 2005-2006 is zero.

Summary

The total expenses of the district for fiscal year 2005-2006 are estimated to be equal to \$1,568,981.25. Tax increment revenues available to pay expenses are estimated to be \$3,507,522.22.. As a result, special taxes will not be levied for fiscal year 2005-2006, resulting in a special tax rate of zero.

B. SPECIAL TAXES LEVIED AND COLLECTED

Table V-2 on the next page shows the account number, acreage, the special tax rate and the special tax to be levied on each parcel of taxable property for the fiscal year 2005-2006. (Parcel numbers 4005-9010-9464 and 4005-9010-9469 are flood plain parcels owned by Anne Arundel County and are, therefore, excluded for the purposes of calculating assessed values, tax increment revenues and special taxes.) There will be no special taxes levied on the property within the district for the 2005-2006 taxable year. As a result, special taxes will not be collected.

Table V-3
Special Taxes Levied and Collected

Account Number	Acres	Special Tax Rate (\$ Per \$100 of AV)	Special Tax Levy
400590109464	16.49	\$0.00	\$0.00
400590109465	185.92	\$0.00	\$0.00
400590109469	18.38	\$0.00	\$0.00
400590109471	1.75	\$0.00	\$0.00
400590212153	1.01	\$0.00	\$0.00
400590212154	2.79	\$0.00	\$0.00
400590212157	1.15	\$0.00	\$0.00
400590212158	8.86	\$0.00	\$0.00
400590212159	25.77	\$0.00	\$0.00
400590220728	8.06	\$0.00	\$0.00
400590220729	6.99	\$0.00	\$0.00
400590220730	3.61	\$0.00	\$0.00
400590220731	1.54	\$0.00	\$0.00
400590212162	6.90	\$0.00	\$0.00
400590212168	1.14	\$0.00	\$0.00
400590213196	2.41	\$0.00	\$0.00
400590213197	3.38	\$0.00	\$0.00
400590213198	4.11	\$0.00	\$0.00
400590213199	0.51	\$0.00	\$0.00
400590213200	0.33	\$0.00	\$0.00
400590213543	1.55	\$0.00	\$0.00
400590213544	1.10	\$0.00	\$0.00
400590213545	1.95	\$0.00	\$0.00
400590213546	1.44	\$0.00	\$0.00
400590213547	1.23	\$0.00	\$0.00
400590213773	7.27	\$0.00	\$0.00
400590213774	33.23	\$0.00	\$0.00
400590213775	15.70	\$0.00	\$0.00
400590213777	16.00	\$0.00	\$0.00
400590213779	1.40	\$0.00	\$0.00
400590213882	13.11	\$0.00	\$0.00
400590213884	0.13	\$0.00	\$0.00
400590213885	0.92	\$0.00	\$0.00
400590213969	1.72	\$0.00	\$0.00
400590213970	1.99	\$0.00	\$0.00
400590213972	10.89	\$0.00	\$0.00
400590213973	0.99	\$0.00	\$0.00
400590213974	1.62	\$0.00	\$0.00
400590213975	1.52	\$0.00	\$0.00
Total	414.86	\$0.00	\$0.00

C. DELINQUENT PROPERTY TAXES

According to the county, \$3,415,305 in tax increment revenues for fiscal year 2005-2006 have been collected, which is \$92,217 less than the estimated tax increment revenues of \$3,507,522 for fiscal year 2005-2006. According to Anne Arundel County, there are no delinquent fiscal year 2005-2006 ad valorem taxes. According to Anne Arundel County, the difference between the estimated and actual tax increment revenues for fiscal year 2005-2006 is explained by a \$5,901,466 (i.e., \$381,555,859 - \$387,457,325) decrease in the assessed value of the property within the district for fiscal year 2005-2006 and a decrease in the tax rate from \$0.941 to \$0.931 for fiscal year 2005-2006. There were no special taxes levied for fiscal year 2005-2006. Accordingly, there are no delinquent special taxes at this time.

D. COLLECTION EFFORTS

There are no collection efforts underway at this time.

VI. DISTRICT FINANCIAL INFORMATION

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

All information in this section is provided as of September 30, 2005, unless otherwise stated.

A. FUND BALANCES

The fund balances in all of the funds and accounts provided for in the Indenture of Trust are included in Table IV-1 of Section IV, "Trustee Accounts," of this report.

B. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT

There have been no changes to the Rate and Method of Apportionment of Special Taxes by the county since the bonds were issued.

C. CHANGES IN THE AD VALOREM TAX RATES

According to the county, the ad valorem tax rate decreased from \$0.9541 to \$0.931 per \$100 of assessed value for fiscal year 2005-2006.

D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

Table VI-1 below shows the phased-in assessed value of the taxable property within the district as of July 1, 2005. Since the base year, January 1, 2000, the assessed value of the property within the district has increased by \$372,744,125. (For comparison purposes, the base year assessed values totaling \$5,885,280 were adjusted by utilizing the full cash value of \$14,713,200 in order to calculate the incremental change from the base year. Parcel numbers 400590109464 and 400590109469 are flood plain parcels owned by Anne Arundel County and are, therefore, excluded for the purposes of calculating assessed values and tax increment revenues.)

Table VI-1
Phased-In Assessed Value of Property

Owner	Land Use	Acreage	Assessed Value (07/01/05)
Arundel Mills Residual, LP	Vacant land	7.27	\$3,998,500
Arundel Mills Residual, LP	Grocery Store	33.23	\$14,333
Wal-Mart Real Estate Business Trust	Wal-Mart	15.70	\$20,559,400
COSTCO Wholesale Corporation	Costco	16.00	\$16,974,566
WSG Arundel Two, LLC	Men's Warehouse	1.40	\$1,745,233
AEI Income & Growth Fund, LLC	Jared's Jewelers	1.01	\$1,382,866
Exxon-Mobil Corporation	Gas Station	2.79	\$2,745,833
Arundel Marketplace, LP	Circuit City, etc	13.11	\$15,906,466
Arundel Mills Residual, LP	Vacant land	0.13	\$1,300
Bay-Vanguard Federal Savings	Bank	0.92	\$754,000
Nick & Irene Havas	Wendy's	1.15	\$1,507,500
Arundel Mills Residual, LP	Vacant land	8.86	\$4,873,000
Piney-100 Land, LP	Vacant land	25.77	\$14,173,500
Arundel Mills Residual, LP	Vacant land	2.41	\$1,575,500
Skye Arundel I, LLC	Courtyard Hotel	3.38	\$10,592,966
Skye Arundel II, LLC	Hampton Inn	4.11	\$11,484,100
Arundel Mills Residual, LP	Vacant land	0.51	\$280,500
Arundel Mills Residual, LP	Vacant land	0.33	\$100
AMCO – 2, LLC	Vacant land	6.99	\$4,094,500
Arundel Mills Residual, LP	Vacant land	6.90	\$4,100
Amreit Hanover I Corp	TGI Friday	1.72	\$2,203,200
BR of Wisconsin 34, LLC	Pier One Imports	1.99	\$2,568,033
Ridge Road I, LLC	Safeway Grocery Store	10.89	\$13,296,966
Chevy Chase Bank	Bank	0.99	\$1,376,600
Ridge Road II, LLC	Safeway Grocery Store	1.62	\$1,141,000
Arundel Mills Residual, LP	Vacant land	1.52	\$836,000
Four Aces, LLC	Damon's Restaurant	1.55	\$2,114,100
Bank of America, NA	Bank	1.10	\$1,587,566
GC of Arundel Mills, LLC	Golden Coral Restaurant	1.95	\$2,526,733
WSG Hanover One, LLC	Chipolte Restaurant	1.44	\$1,042,000
Chick-Fil-A, Inc	Chick-Fil-A Restaurant	1.23	\$1,630,366
System Capital Real Property Corp.	McDonald's	1.14	\$1,409,266
Anne Arundel County	Flood Plain	16.49	\$0
Arundel Mills, LP	Mall	185.92	\$233,024,966
Anne Arundel County	Flood Plain	18.38	\$0
Exxon-Mobil Corporation	Gas Station	1.75	\$2,016,766
Skye Arundel IV, LLC	Vacant land	3.61	\$2,235,500
ANMOL Development, LLC	Vacant land	1.54	\$1,097,000
AMCP – 1, LLC	Vacant land	8.06	\$4,683,000

TOTAL:	414.86	\$387,457,325
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E. DISTRICT SPECIAL TAXES LEVIED

The amount of special taxes levied for fiscal year 2004-2005 is included in Table V-2 of Section V, "District Operations," of this report. There will be no special taxes levied or collected in fiscal year 2005-2006.

F. STATUS OF COLLECTION OF AD VALOREM AND SPECIAL TAXES

According to the county, \$3,415,305 in tax increment revenues for fiscal year 2005-2006 have been collected, which is \$92,217 less than the estimated tax increment revenues of \$3,507,522 for fiscal year 2005-2006. According to Anne Arundel County, there are no delinquent fiscal year 2005-2006 ad valorem taxes. According to Anne Arundel County, the difference between the estimated and actual tax increment revenues for fiscal year 2005-2006 is explained by a \$5,901,466 (i.e., \$381,555,859 - \$387,457,325) decrease in the assessed value of the property within the district for fiscal year 2005-2006 and a decrease in the tax rate from \$0.941 to \$0.931 for fiscal year 2005-2006. There were no special taxes levied for fiscal year 2005-2006. Accordingly, there are no delinquent special taxes at this time.

G. PROPERTY OWNERSHIP

The current ownership of the property within the district is shown in Table VI-2 below. Utilizing assessed value as a surrogate for the total levy of all ad valorem and special taxes levied, in addition to the property taxes on property owned by Mills related entities, the tax burden on the parcels owned by Piney-100 Land and Wal-Mart marginally exceeds 5% of the total levy of all ad valorem and special taxes.

**Table VI-2
Property Ownership**

Owner	Land Use	Total Assessed Value	Percent of Total
Arundel Mills, LTD Partnership	Mall	\$233,024,966	60.14%
Arundel Mills Residual, LTD Partnership	Vacant land	\$11,583,333	2.99%
Bay Vanguard Federal Savings	Bank	\$754,000	0.19%
COSTCO Wholesale Corporation	Costco	\$16,974,566	4.38%
Piney-100 Land, LTD Partnership	Vacant land	\$14,173,500	3.66%
Wal-Mart Real Estate Business Trust	Wal-Mart	\$20,559,400	5.31%
Ridge Road I, LLC	Safeway	\$13,296,966	3.43%
Skye Arundel I, LLC	Courtyard Hotel	\$10,592,966	2.73%
Skye Arundel II, LLC	Hampton Inn	\$11,484,100	2.96%
Exxon-Mobil Corporation (Fairfax, VA.)	Gas Station	\$2,745,833	0.71%
Amreit Hanover I, Corp	TGI Friday	\$2,203,200	0.57%
Ridge Road II, LLC	Safeway	\$1,141,000	0.29%
Exxon-Mobil Corporation (Houston, TX.)	Gas Station	\$2,016,766	0.52%
Chevy Chase Bank	Bank	\$1,376,600	0.36%
Nick & Irene Havas	Wendy's	\$1,507,500	0.39%
System Capital Real Property Corporation	McDonald's	\$1,409,266	0.36%
AEI Income & Growth Fund XXI Limited	Jared's Jewelers	\$1,382,866	0.36%
WSG Arundel Two, LLC	Men's Warehouse	\$1,745,233	0.45%
WSG Hanover One, LLC	Chipolte	\$1,042,000	0.27%
Four Aces, LLC	Damon's	\$2,114,100	0.55%
Bank of America	Bank	\$1,587,566	0.41%
GC of Arundel Mills, LLC	Golden Coral	\$2,526,733	0.65%
Chick-Fil-A, Inc	Chick-Fil-A	\$1,630,366	0.42%
BR of Wisconsin 34, LLC	Pier One Imports	\$2,568,033	0.66%
Arundel Marketplace, LP	Circuit City, etc	\$15,906,466	4.11%
AMCO - 2 LLC	Vacant Land	\$4,094,500	1.06%
Skye Arundel IV LLC	Vacant Land	\$2,235,500	0.58%
ANMOL Development	Vacant Land	\$1,097,000	0.28%
AMCP - 1 LLC	Vacant Land	\$4,683,000	1.21%
TOTAL:		\$387,457,325	100.00%

Property ownership in the table above does not reflect all of the parcel sales listed in Table III-1 because the sale of those parcels had not been recorded by the county prior to the date of assessment, January 1, 2005.

H. LAND USE AMMENDMENTS

The developer reports that as of September 30, 2005, no significant amendments to land use entitlements or legal challenges to the construction of the project have been made.

I. CHANGES TO DEVELOPMENT

The developer reports that as of September 30, 2005, no changes to the plan of development have been approved by the county.

J. DEBT SERVICE SCHEDULES

Debt service coverage from tax increment revenues, special taxes and maximum special taxes are shown by the following table:

Table VI-3
Debt Service Coverage

Debt Service (bond year ending July 1, 2006)	\$1,502,981
Base Year Assessed Value (January 1, 1999)	\$14,713,200
Phased-in Assessed Value July 1, 2005	\$387,457,325
Increase in Assessed Value	\$372,744,125
Estimated County Tax Rate (FY 2005-2006)	\$0.941
Tax Increment Revenues	\$3,507,522
Debt Service Coverage	233.37%
Special Tax Levied (FY 2005-2006)	\$0
Debt Service Coverage	0.00%
Maximum Special Tax Rate (FY 2005-2006)	\$2.49247
Maximum Special Tax (FY 2005-2006)	\$9,657,258
Debt Service Coverage	155.08%
Note: Special taxes may only be levied to the extent necessary to pay debt service after taking into account tax increment revenues.	

VII. SIGNIFICANT EVENTS

A. DEVELOPER SIGNIFICANT EVENTS

According to the continuing disclosure agreement, developer significant events include the following:

- (i) failure to pay any real property taxes (including the special taxes) levied within the district on a parcel owned by the developer or any affiliate thereof;
- (ii) material damage to or destruction of any development or improvements within the district;
- (iii) the exercise of an option to purchase or sell or the purchase or sale of any land within the district by the developer;
- (iv) material default by the developer or any affiliate thereof on any loan with respect to the construction or permanent financing of Arundel Mills, the project or the development, if any, of the auxiliary-use parcel;
- (v) 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 of the developer;
- (vi) payment default by the developer or any affiliate thereof on any loan to such party (whether or not such loan is secured by the property within the district);
- (vii) the filing by or against the developer or any affiliate thereof, the general partner of the developer or any owners of more than 25% interest in the developer of any petition or other proceeding under any bankruptcy, insolvency or similar law or any determination that the developer or owner of interest in the developer or a subsidiary of the developer or any affiliate thereof is unable to pay its debts as they become due; and
- (viii) the filing of any lawsuit with claim for damages in excess of \$1,000,000 against the developer which may adversely affect the completion of Arundel Mills, the project or the sale or development of the auxiliary-use parcel or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the developer.

Inquiries have been made with the developer regarding the occurrence of any significant event and they have reported that no significant events have occurred as of September 30, 2005.

B. LISTED EVENTS

Pursuant to the Continuing Disclosure Agreement, listed events include the following:

- (i) delinquency in payment when due of any principal of or interest on the bonds;

- (ii) occurrence of any material default under the indenture (other than described in clause (i) above);
- (iii) amendment to the indenture modifying the rights of the bondholders;
- (iv) giving of 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) the release or substitution of property securing repayment of the bonds: and
- (ix) the continuing disclosure event notices provided to the administrator by the developer as more particularly set forth in the developer's continuing disclosure agreement so long as the developer owns property in the district.

The administrator is not aware of the occurrence of any listed event as of the date of this report (January 25, 2005).