ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending June 30, 2006

$15,655,000 Anne Arundel County, Maryland
National Business Park Project
Series 2004 Refunding Bonds

Prepared by:

MUNICAP, INC.

October 20, 2006

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. UPDATED INFORMATION

Information updated for the quarterly development activity and disclosure report for the period ending September 30, 2005 is as follows:

- Anne Arundel County, Maryland issued $15,655,000 of Series 2004 Refunding Bonds to defease and refund the $14,000,000 Series 2000 Special Obligation Bonds on May 1, 2004.

- As of June 30, 2006, the developer reports that the total equity invested in National Business Park by Constellation Real Estate or related entities, including the costs of land acquisition and land & infrastructure improvements was $13,253,511.

- As of June 30, 2006 the developer reported 1,575,084 square feet of the space within Phase I of National Business Park was leased. This represents 100.00% of the total leaseable space within Phase I.

- As of June 30, 2006, the developer reports that construction is underway on six of the ten planned office buildings in Phase II. These six buildings are being built on lots 21R, 22R, 23R, 28R, 29R, and 30R and will consists of 854,078 square feet of an estimated total of 1,200,000 square feet in Phase II. Construction of the shell of lots 21R, 23R, 28R, and 30R was completed as of June 30, 2006. Tenant improvements are expected to be completed by the fourth quarter of 2006 for lots 23R, and 28R. Tenant improvement on Lot 22R is expected to be completed in the first quarter 2007, and Lot 30R should be completed in the fourth quarter 2007. Lot 21R has been completed with no additional tenant improvements scheduled at this time..

- According to the developer, leases have been signed for 633,276 square feet of the 854,078 available square feet in the first six buildings in Phase II to the federal government, Booze Allen Hamilton, Applied Signal, and BAE Systems. This represents approximately 74.2 percent of the estimated leaseable space of the first six buildings in Phase II.

- As of June 30, 2006, construction draws funded from bond proceeds totaled $11,614,000 representing 100% of the budget for public improvements.

- The phased-in assessed cash value of the taxable property within the district as of July 1, 2006 was $297,250,412, which increased by $259,545,812 from the base year assessed value of $37,704,600.

- Special taxes were not levied in FY 2006-2007. As a result there are no delinquent special taxes.

- According to the county, the tax increment revenue amount levied for FY 2006-2007 was 2,442,386 with a corresponding tax rate of $0.918 on each $100 of the full assessed value of real property.

II. INTRODUCTION

Anne Arundel County, Maryland (the "County") issued the $15,660,000 Series 2004 Refunding Bonds to defease and refund the $14,000,000 Series 2000 Special Obligation Bonds (National Business Park 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 "National Business Park Ordinance"), and an Indenture of Trust, dated as of May 1, 2004 (the "National Business Park Indenture"), by and between the County and Manufacturers and Traders Trust Company, the trustee (the "Trustee").

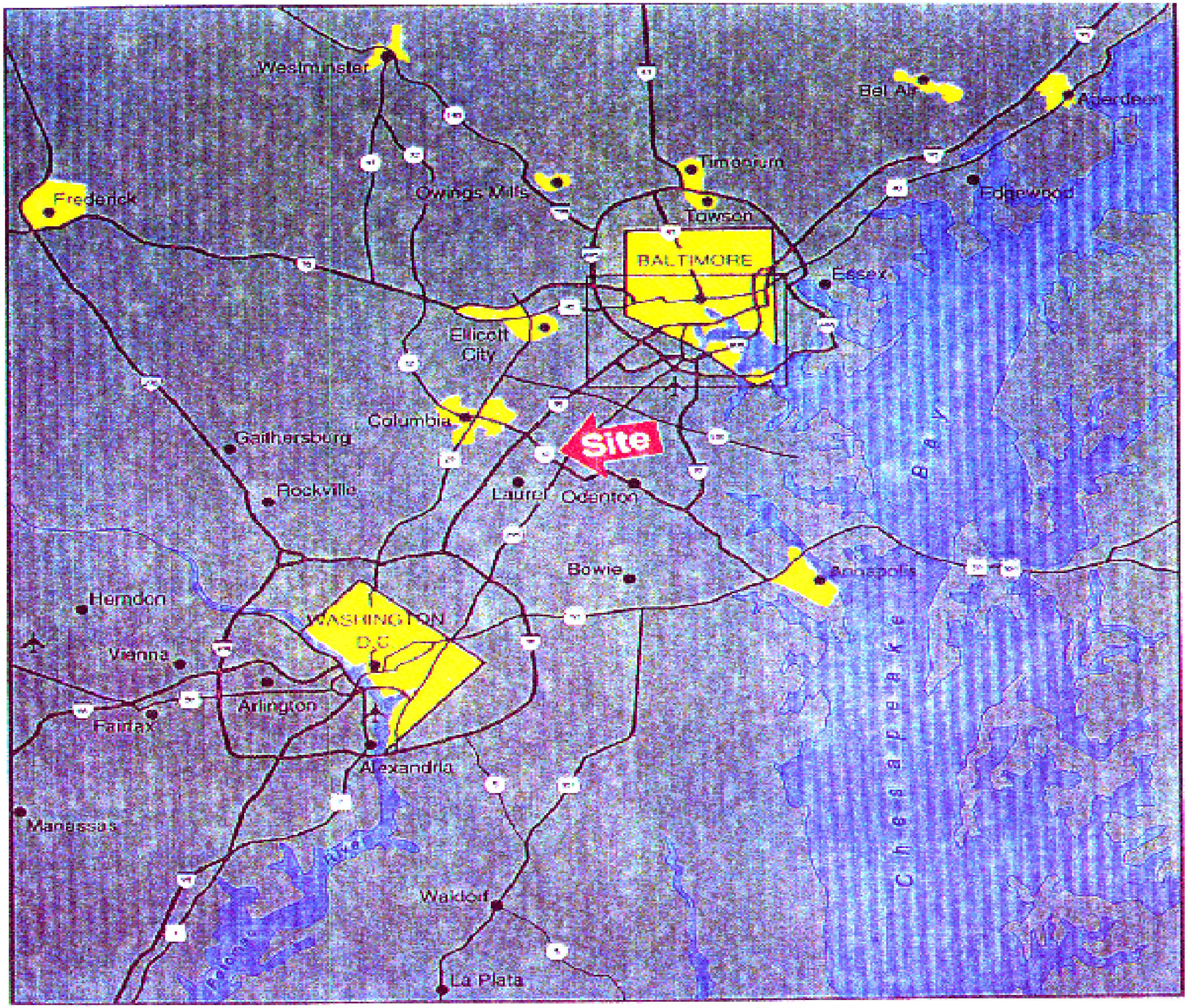
The property in the district is located in Anne Arundel County, Maryland, and consists of 280 acres of land within the Baltimore/Washington Corridor at the northwest quadrant of the intersection of Maryland Route 32 and the Baltimore-Washington Parkway (Maryland Route 295).

The property in the district is currently being developed by a partnership managed by Constellation Real Estate, Inc (the developer). The proposed development will be completed in two phases and includes a planned Class A office park as well as related mixed-use space, which will include retail, hotels, and day care facilities.

Pursuant to the Official Statement (OS), $15,660,000 in refunding bonds (Series 2004) were sold to defease and refund the $14,000,000 Series 2000 Special Obligation Bonds which were issued to finance the public improvements serving the property located within the district.

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 and is believed to be accurate; however, no effort has been made to independently verify the information.



National Business Park

Regional Map

Constellation Real Estate, Inc.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The National Business Park Special Tax District includes approximately 280 gross acres (216 net acres) of property located within the Baltimore/Washington Corridor in Anne Arundel County, Maryland. The district is situated at the northwest quadrant of the intersection of Maryland Route 32 and the Baltimore-Washington Parkway (Maryland Route 295), approximately fifteen miles southwest of Baltimore, Maryland and approximately fifteen miles north of Washington, D.C. The location of National Business Park is shown on the map on page 3. The project will be developed in two phases with a planned Class A office park as well as related mixed-use space, which will include retail, hotels, and day care facilities, totaling approximately 2.78 million square feet of leaseable office and mixed-use space.

The business park is to be developed in two phases consisting of 26 office buildings, two hotels, one daycare facility and one retail center. The first phase consists of approximately 127 acres of land on 22 finished lots comprising approximately 1.55 million square feet of leaseable office and mixed-use space. At the time of issuance of the Series 2000 Bonds, Phase I had already been subdivided and 13 of the 21 lots in Phase I were either sold or under contract. Three of the twenty-one lots in Phase I, lots 12, 13, and 15, were subsequently consolidated with lots 14RR and 16RR, respectively. One of the 22 lots was subsequently developed as a parking lot (Lot 3A) and one lot (Lot 17R) was developed as a stormwater management pond. The second phase of the project is expected to include 10 lots to be developed with approximately 1,200,000 square feet of leaseable office space on 89.16 developable acres (108 gross acres). COPT has begun construction on six of the ten office buildings in Phase II. Construction of the shell was completed on, , lots 23R, 28R and 30R. Lot 21R is completely built. Lot 29R is expected to have the shell completed by the end of the fourth quarter 2006. Tenant improvements are anticipated to be completed by the end of the fourth quarter 2006 on lots 23R and 28R. Tenant improvements are anticipated to be complete by the end of the first quarter 2007 for lot 22R and fourth quarter 2007 for lot 30R. . Leases have been signed for 633,276 of the 854,078 square feet in these buildings. As projected in the appraisal, both phases of National Business Park are expected to be fully built out by 2014.

At the time the Series 2000 Bonds were issued, the on-site public improvements to Phase I, with the exception of Technology Drive (formerly Phoenix Road), were substantially complete. Bids have been executed for the construction of off-site improvements and public work and utility agreements have been executed for the Phase I and Phase II portions of development. Construction of the off-site public improvements has been completed and is discussed in detail below. Mass grading and demolition work in Phase II are complete.

Funding for the development of the finished lots within both Phase I and Phase II of National Business Park, as well as the construction costs of the project not financed by the Series 2004 Bonds, will be secured from Constellation's own cash flow from operations and land sales, the reimbursement for completed construction from the Series 2000 Bonds, or from loans or equity provided by Constellation Energy Group, Inc.

B. GOVERNMENTAL APPROVALS

As a general rule, property in Anne Arundel County can be developed pursuant to the zoning for the property with the issuance of grading and building permits. The real property in National Business Park is zoned W-1, an industrial park classification. Permitted uses for W-1 zoning include data processing and computer services, hospitality, wholesale trade, warehousing and storage, research and development establishments, and industrial, general or professional offices. Conditional uses include banks, spas, childcare, retail and restaurants. The proposed use of parcels in National Business Park conforms to the W-1 zoning regulations.

The requisite government permits and approvals within Anne Arundel County that a developer must generally obtain prior to construction include an adequate public facilities approval, which usually occurs at plat recordation, subdivision plat approval, public works and utility agreements, grading permits, infrastructure improvement permits, building permits, state highway access permits (issued by the Maryland Highway Administration, MDSHA), and a wetlands impact permit (issued by the Maryland Department of the Environment and the U.S. Army Corps of Engineers).

Additionally, the developer entered into a letter of understanding between Anne Arundel County, Howard County and the MDSHA, which limited the number of building permits to 900,000 square feet in Phase I until public works agreements had been signed for the Guilford Road (Maryland Route 732) improvements and surety bonds had been provided to the County. These requirements have been met.

The letter of understanding also required the developer to enter into a memorandum of understanding with MDSHA for the widening of the Dorsey Run Road bridge over MD Route 32, which was required by MDSHA as a condition for granting an access permit.

All of the government approvals and permits required for the construction of the land improvements for Phase I, with the exception of the Dorsey Run Road bridge, were in place at the time of issuance of the Series 2000 Bonds. According to the developer, all permits and government approvals for Phase I have been obtained.

All highway access permits for the project have been approved by MDSHA and the county. The memorandum of understanding, which is between the developer, MDSHA, Anne Arundel and Howard Counties, for the off-site improvements to Dorsey Run Road bridge was executed on September 24, 2001.

A subdivision application was made to change the classification of Lot 1 from a reserve parcel category to subdivided lot category. Approval for this change was received on December 14, 2000. This allowed the developer to sell the parcel as a recorded lot. A Marriott Courtyard hotel was built on this parcel.

Prior to the Series 2000 Bonds being issued, Phase II had been rezoned W-1 for the proposed development. According to the developer, all remaining approvals and issuance of permits for the development of Phase II have been obtained.

C. STATUS OF DEVELOPMENT

(i.) Building Construction and Lot Sales

At the time the Series 2000 Bonds were issued, six office buildings, a hotel, a day care facility and two office buildings were completed in Phase I. Corporate Office Property Trust (COPT) purchased two additional sites for office buildings and a retail facility site in Phase I. The use of the eight remaining sites in Phase I was for a 128-room hotel, a second day care facility and six class A office buildings. Since that time, the developer has revised the mix of anticipated parcel uses in Phase I. The developer anticipated that a stormwater management pond would be built in lieu of the planned 10,000 square foot day care facility on Lot 17RR and that Lots 12R, 13A and 14R, which were contracted to COPT, were consolidated into one parcel for the construction of a 124,000 square foot office building. As a result, the use of the remaining sites in Phase I was for a 140-room hotel and five class A office buildings.

The developer reports that settlement for the purchase of Lot 1 with the Donohoe Companies, Inc., took place on December 31, 2002. Construction on the 140-room Marriott Hotel was completed and this facility opened in the first quarter of 2004.

According to the developer, a contract for Lot 3A was signed with COPT and settlement took place on October 3, 2002. The developer constructed a parking lot on this site for the Lot 3B tenants. According to the developer, this facility was completed in June 2003.

COPT has settled on Lots 5RR and 19RR, which were under contract at the time the Series 2000 Bonds were issued. A building permit for Lot 5RR has been approved and construction of a 10,000 square foot retail facility was completed in the fourth quarter of 2001. Tenant build-out for this facility was completed on February 15, 2002. A building permit for Lot 19RR has been approved and construction of a 150,000 square foot office building was completed in February 2002. According to the developer, tenant build out for this facility is complete and the tenant has occupied the leased space. A building permit has been received for Lot 20RR, the planned 120,000 square foot office building, which is owned by COPT. Shell construction of this facility was completed in September 2001 and tenant build out was completed in January 2002. According to the developer, COPT subdivided Lots 19RR and 20RR in order to allow the construction of an additional 100,000 square foot facility on Lot 17RRR. The developer reports that construction began on Lot 17RRR in April 2004 and that a lease has been signed by Northrop Grumman for 100% of this facility. According to the developer, construction was completed in April of 2005.

The developer reports that Lots 12R, 13A and 14R were consolidated into one lot (Lot 14RR). Settlement of this lot to COPT took place in December 2001. Design proposals for building a 124,000 square foot office building have been completed. According to the developer, construction on this facility began on September 1, 2002 and the shell for this facility was completed in September 2003. The developer reports that this facility is 100 percent leased, and construction was completed in the fourth quarter of 2003.

The developer reports that Lots 15 and 16R were consolidated into one lot (Lot 16RR). Recordation took place on September 6, 2001. This lot settled with COPT on January 31, 2002, and the developer reports that the 156,000 square foot building that was built on this lot is fully leased.

According to the developer, COPT settled on the purchase of Lot 17R on November 14, 2003.

The developer reports that this lot was to be used as a storm water management pond for Cedar Knolls.

Construction of the ninety five-room hotel in Phase I was completed and opened for business as a Marriott in the first quarter of 2004. Construction of a 10,000 square foot day care facility was continuing at the time of the issuance of the Series 2000 Bonds, and has subsequently been completed. Subsequent to the issuance of the Series 2000 Bonds, construction of two Class A office buildings of 120,000 square feet each, which were scheduled to be complete in June 2000 (Lot 9-10RR) and October 2000 (Lot 18RR) respectively, have been completed. Table III-1 below shows the current status of construction and ownership for each lot in Phase I of National Business Park as of June 30, 2006.

Table III-1
Description of Parcels in Phase I of the District

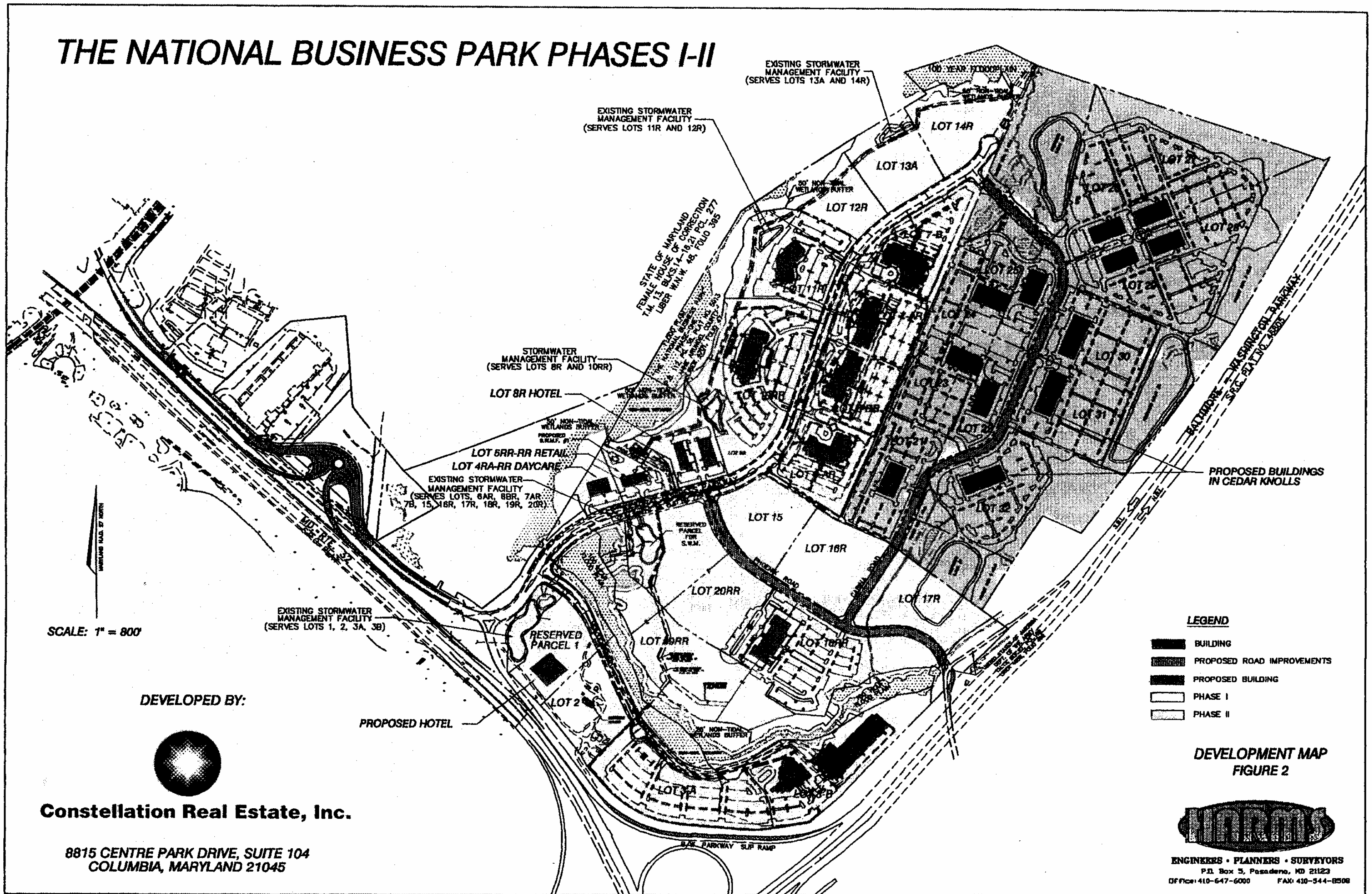
Lot	Acres	Proposed Use	Owner	Construction Status	GLA SF
Phase I					
1	4.22	Hotel	Donohoe Companies	Completed	140 Rooms
3A	9.19	Parking Lot	NBP Lot 3A, LLC	Completed	240,339
3B	8.55	Office	NBP One LLC	Completed	0
4RA	1.45	Day Care	GRDM, Inc.	Completed	10,000
5RR	2.23	Retail	NBP Retail, LLC	Completed	10,000
6BR	4.82	Office	NBP 131-133-141, LLC	Completed	88,666
6AR	5.06	Office	NBP 131-133-142, LLC	Completed	68,900
7AR	5.07	Office	NBP IV, LLC	Completed	88,533
7B	6.03	Office	NBP 131-133-141, LLC	Completed	86,964
8R	3.65	Hotel	Hospitality Dev't, LLC	Completed	95 Rooms
9-10RR	11.30	Office	NBP 132, LLC	Completed	120,000
11R	7.03	Office	NBP 134, LLC	Completed	93,482
12R	3.15	Office	NBP 140, LLC	Consolidated with Lot 14RR	Part of Lot 14
13A	4.03	Office	NBP 140, LLC	Consolidated with Lot 14RR	Part of Lot 14
14RR	5.46	Office	NBP 140, LLC	Completed	120,000
15	4.77	Office	NBP 220, LLC	Consolidated with Lot 16RR	Part of Lot 16
16RR	5.65	Office	NBP 220, LLC	Completed	156,700
17R	5.41	SWM Pond	Jolly Acres LP	Stormwater Management Pond	N/A
17RR	7.44	Office	NBP 191, LLC	Completed	104,000
18RR	10.39	Office	NBP 221, LLC	Completed	118,000
19RR	6.74	Office	NBP 211, LLC	Completed	152,000
20RR	4.92	Office	NBP 201, LLC	Completed	117,500
Sub-total:	**126.56**				**1,575,084**

The proposed ten lots in Phase II are anticipated to be developed as Class A office space. COPT has begun construction on the first six buildings in Phase II, comprising 854,078 square feet of leaseable space. The developer reports that the shells for lots 21R, 23R, 28R, and 30R were completed as of June 30, 2006. Lot 29R is expected to by complete by fourth quarter 2006. The developer reports lot 21R will have the shell complete and tenant build out expected by the first quarter 2007. The developer anticipates that tenant build out anticipated by the fourth quarter 2006 for lots 23R and 28R. Tenant build is anticipated to be completed by the fourth quarter 2007 for lot 30R. According to the developer, leases have been signed with the federal government, Booze Allen Hamilton, Applied Signal, and BAE Systems for 633,276 square feet of space in these buildings.

Table III-2 below shows the status of construction and ownership of each lot in Phase II of National Business Park as of June 30, 2006. Corporate Office Properties (COPT) settled on the purchase of all of the parcels within the Cedar Knolls development in two Phases. Phase I settled on January 24, 2003 and Phase II settled on November 14, 2003. COPT may reconfigure the street and lot layout. As a result, the Public Works and Utility Agreements will be phased.

Table III-2
Description of Parcels in Phase II of the District

Lot	Acres	Proposed Use	Owner	Construction Status	GLA SF
Phase II					
21R	10.93	Office	NBP 304, LLC	Completed	162,498
22R	8.65	Office	NBP 302, LLC	Building under Construction	157,146
23R	8.87	Office	NBP 306, LLC	Shell Complete, Tenant Build Out in Progress	157,146
24R	6.69	Office	Jolly COPT I, LLC	Lot in Development	N/A
25R	6.86	Office	Jolly COPT I, LLC	Lot in Development	N/A
26R	8.13	Office	Jolly COPT II, LLC	Lot in Development	N/A
27R	12.05	Office	Jolly COPT II, LLC	Lot in Development	N/A
28R	7.86	Office	NBP 318, LLC	Shell Complete, Tenant Build Out in Progress	125,681
29R	7.43	Office	NBP 320, LLC	Lot in Development	125,760
30R	11.69	Office	NBP 322, LLC	Shell Complete, Tenant Build Out in Progress	125,847
Subtotal	**89.16**				**854,078**
Total	**215.72**				**22,429,162**


THE NATIONAL BUSINESS PARK PHASES I-II
EXISTING STORMWATER MANAGEMENT FACILITY (SERVES LOTS 13A AND 14R)
EXISTING STORMWATER MANAGEMENT FACILITY (SERVES LOTS 11R AND 12R)
STATE OF MARYLAND FEMALE HOUSE OF CORRECTION
STORMWATER MANAGEMENT FACILITY (SERVES LOTS 8R AND 10RR)
LOT 8R HOTEL
LOT 5RR-RR RETAIL
LOT 4RA-RR DAYCARE
EXISTING STORMWATER MANAGEMENT FACILITY (SERVES LOTS, 6AR, 8BR, 7AR, 7B, 15, 16R, 17R, 18R, 19R, 20R)
LOT 14R
LOT 13A
LOT 12R
LOT 15
LOT 16R
LOT 17R
LOT 20RR
RESERVED PARCEL 1
LOT 2
PROPOSED HOTEL
EXISTING STORMWATER MANAGEMENT FACILITY (SERVES LOTS 1, 2, 3A, 3B)
PROPOSED BUILDINGS IN CEDAR KNOLLS
BALTIMORE - WASHINGTON PARKWAY
MD. RTE. 32
SCALE: 1" = 800'
DEVELOPED BY:
Constellation Real Estate, Inc.
8815 CENTRE PARK DRIVE, SUITE 104
COLUMBIA, MARYLAND 21045
LEGEND
BUILDING
PROPOSED ROAD IMPROVEMENTS
PROPOSED BUILDING
PHASE I
PHASE II
DEVELOPMENT MAP
FIGURE 2
ENGINEERS • PLANNERS • SURVEYORS
P.O. Box 5, Pasadena, MD 21123
Office: 410-647-6000 FAX: 410-544-8508
DRAWN BY: K.G.W.
CHECKED BY: M.T.

(ii.) Leasing Status

According to the limited offering memorandum, at the time of issuance of the Series 2000 Bonds, six office buildings had been completed in Phase I. Tenants within the six completed office buildings included: United States Army Corps of Engineers, Lockheed, Intel, TASC, e.spire Communications, Inc., Applied Signal Technology, Stanford Telecom, Harris Corporation, Electronic Data Systems, General Dynamics, Raytheon, E-Systems, CMSI, Impact Science & Technology, and Booz Allen & Hamilton. The developer also reported in the Series 2000 LOM that leases had been executed with Ameritrade and General Dynamics for 91,839 square feet in two additional office buildings that were under construction. Table III-3 below provides a list of those entities that are currently reported as tenants in Phase I of National Business Park. According to the developer, as of June 30, 2006, the total leaseable space 1,575,084 square feet in Phase I was 100 percent leased.

According to the developer, the total leaseable space in Phase II is 1,200,000 square feet, including 854,078 square feet leasable space in the six buildings. As shown in Table III-3 below, the developer reports 633,276 square feet leasable space in Phase II has been leased representing 52.8 percent of the total leaseable space, and 74.2 percent of the total leasable space in the six buildings in Phase II.

Table III-3
Leasing Status

Tenant	Phase	Lot	Square Feet
Phase I:			
Jeff & Joe's Deli	I	5RR	4,000
Fitness Center (COPT)	I	5RR	4,000
Concierge (COPT)	I	5RR	2,000
U.S. Army Corps of Engineers	I	3B	240,339
Intel	I	6AR	8,089
U.S. A.C of E	I	6AR	11,482
Conquest, Inc.	I	6AR	49,329
Lockheed Martin	I	6BR	29,429
Applied Signal Technology	I	6BR	29,121
Computer Sciences Corporation	I	19RR	152,000
U.S. Government	I	6BR	30,116
Essex Corporation	I	7AR	7,421
ITT Defense	I	7B	52,083
SASA	I	7B	2,175
Digital Net	I	7B	19,159
U.S. Government	I	18RR	26,254
U.S. Government	I	10R	57,206
Northrop Grumman	I	20RR	73,368
Harris Corporation	I	10R	31,397
Electronic Data Systems	I	7B	7,485
General Dynamics	I	18RR	91,746

Raytheon	I	7B	6,062
Titan Corporation	I	20RR	44,132
CMSI	I	7AR	72,652
Impact Science and Technology	I	7AR	8,460
Booz Allen & Hamilton	I	11R	93,482
Computer Sciences Corporation	I	10R	31,397
The Titan Corporation	I	16RR	156,700
U.S. Government	I	14RR	120,000
GRDM	I	4RA	10,000
Northrop Grumman	I	17RRR	104,000
Sub-total Phase I			**1,575,084**
Phase II:			
US Government	II	30R, 29R28R	377,454
Booze Allen & Hamilton	II	21R	162,498
Applied Signal	II	23R	61,038
BAE Systems	II	23R	32,286
Sub-total Phase II			**644,276**
TOTAL:			**2,208,360**

(iii.) Status of Financing

Funding for the development of the finished lots within both Phase I and Phase II of National Business Park, as well as the construction costs of the project not financed by the Series 2004 Bonds, was to be secured from Constellation's own cash flows from operations and land sales, the reimbursement of completed construction totaling $4,063,000 from the Series 2000 Bonds at closing, or from loans or equity, if necessary, provided by Constellation Energy Group, Inc., which is an indirect parent of Constellation Real Estate, Inc.

Constellation Energy Group, Inc. is a holding company with a senior unsecured debt rating of A-/A3 and a commercial paper rating of A-1/P-1. At the time of bond issuance, Constellation Energy Group, Inc. has available a financing capability of approximately $1 billion.

As of June 30, 2006, total equity invested in National Business Park by Constellation Real Estate or related entities, including the costs of land acquisition and land & infrastructure improvements was reported by the developer as $13,253,511.

D. PUBLIC IMPROVEMENTS

The proceeds of the Series 2000 Bonds were used to fund the costs of public improvements required for the development of National Business Park. At the time of bond issuance, the on-site public improvements to Phase I, with the exception of Technology Drive (formerly Phoenix Road), were substantially complete. As set forth in the ordinances establishing the district, the public improvements funded from the Series 2000 Bonds were (i) the construction of a partial interchange on the north side of Maryland Route 32 and Guilford Road including acceleration and deceleration lanes, (ii) the widening and realignment of the Anne Arundel County section of Guilford Road from two lanes to four lanes, (iii) an additional lane (to provide two-way traffic) as the NSA flyover on the Baltimore-Washington Parkway connecting to National Business Parkway (including an internal connection road from National Business Parkway to the NSA flyover and an internal connection road from National Business Parkway to Technology Drive, formerly Phoenix Road), and (iv) related roads, water and sewer lines, and storm drains for Phase II of National Business Park.

As of July 15, 2002, the Anne Arundel County Council approved Resolution Number 29-02, which amended Resolution Number 53-99 by revising the infrastructure improvements originally disclosed in Resolution Number 53-99 to include "the widening of the Dorsey Run Road Bridge over Maryland State Route 32." The effect of this resolution was to approve the expenditure of TIF bond proceeds for this project.

According to the developer, the estimated cost for the Dorsey Run Road Bridge is in excess of $4,100,000. In TIF Requisition Number 10, dated December 2, 2002, the developer transferred $2,904,344 in the line item budget for Phase II (Cedar Knolls) to the line item for improvements to Dorsey Run Road Bridge. The developer reports that improvements to Phase II have been and will continue to be funded with equity. According to the developer, improvements to the Dorsey Run Road Bridge were completed and accepted by MDOT in October 2003.

Table III-4 on the following page shows the percent of construction completed as well as the budget for public improvements and the amount funded as of September 30, 2005. According to the developer, other than minor punch list work, the Phase I improvements to these roadways are complete and the one year maintenance bond was issued in the first quarter of 2002 for all of the Phase I improvements except the NSA flyover, which is a federal roadway. The developer further reports that the MD Route 32 interchange ramps, Guilford Road, the NSA flyover and Technology Drive (formerly Phoenix Road), and Carina Road are operational.

Table III-4
Series 2000 Bonds Budget and Expenditures

Public Improvement	Original Budget	Budget Changes	Revised Budget	Construction Completed	Percent Complete
Design & Engineering	$900,000	$0	$900,000	$900,000	100.0%
Acquisition of right-of-way	$1,500,000	($531,604)	$968,396	$968,396	100.0%
Legal/Consultants	$355,000	$134,546	$489,546	$489,545	100.0%
Utility Relocation	$150,000	($22,626)	$127,374	$127,374	100.0%
Guilford Road	$1,100,000	$400,000	$1,500,000	$1,500,000	100.0%
Technology Drive (formerly Phoenix Road) & Carina Road	$760,000	$50,001	$810,001	$810,000	100.0%
NSA Flyover	$635,000	$109,339	$744,339	$744,339	100.0%
MD Route 32 & Ramps	$2,320,000	$580,000	$2,900,000	$2,900,000	100.0%
Permit fees, bonds and inspections	$375,000	($105,000)	$270,000	$270,000	100.0%
Phase II (Cedar Knolls)	$3,519,000	($3,519,000)	$0	$0	0%
Dorsey Run Road Bridge	$0	$2,904,344	$2,904,344	$2,904,344	100.0%
TOTAL	$11,614,000	$0	$11,614,000	$11,614,000	100.0%

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2004 Bonds is Manufacturers and Traders Trust (formerly Allfirst Trust Company, National Association.) The balance as of December 31, 2005, interest paid, disbursements, special assessment collections, additional proceeds, and account balances for each fund as of June 30, 2006, are shown by the following table:

Table IV-1
Summary of Fund Account Balances

	Balance 12/31/05	Interest Paid	Additional Proceeds	Disbursements	Balance 06/30/06
Cost of Issuance Fund	$823	$16	$0	$0	$839
Construction Account	$23,045	$459	$0	$0	$23,504
Debt Service Fund	$0	$0	$378,713	$378,713	$0
Escrow Deposit Account	$16,394,140	$308,798	$0	$515,144	$16,187,794
Total	$16,418,007	$309,274	$378,713	$893,856	$16,212,137

Additional proceeds to the bond and interest fund are tax increment revenues transferred by the county to pay debt service. The balance of $16,187,794 is being held in an escrow deposit account to defease the Series 2000 Bonds.

Table IV-2 below shows the current rate of return on the investments. Proceeds are invested in U.S. Treasury money market accounts currently earning between 3.79 and 4.42 percent.

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; however, on the last day of each fiscal year, the county may withdraw surplus funds. Investment income on the project fund will remain in the fund unless an authorized officer certifies that amounts then on deposit are not expected to be expended, at which time surplus proceeds will be transferred to the debt service fund to redeem principle or pay interest on the bonds.

Account	Rate of Return
Cost of Issuance Fund	4.41%
Construction Fund	4.42%
Escrow Deposit	3.79%

V. *DISTRICT OPERATIONS*

A. SPECIAL TAX REQUIREMENT

Special taxes are to be levied up to the maximum special tax rate in 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 county related to the district, less (iii.) tax increment revenues.

Table V-1 provides a summary of the special tax requirement for fiscal year 2006-2007. Tax increment revenues and other available revenues will be sufficient to pay debt service on the bonds and administrative expenses. As a result, the special tax requirement for fiscal year 2006-2007 is zero. Each of these numbers is explained in the following sections.

Table V-1
Special Tax Requirement
Fiscal Year 2006-2007

Debt Service:	
Interest payment, January 1, 2007	$378,713
Interest payment, July 1, 2007	$378,713
Principal payment, July 1, 2007	$0
Sub-total debt service	$757,425
Administrative Expenses	$16,200
Contingency	$25,000
Total expenses	$798,425
Tax Increment Revenues (FY06-07)	($2,416,372)
Surplus from Prior Year	($0)
Annual Special Tax Requirement for FY05-06	$0

(i.) Debt Service

Debt service includes interest payments of $378,712.50 on the Series 2004 Bonds due on January 1, 2007 and July 1, 2007. These payments equal interest for six months on the following term bonds:

Serial Bonds of:	
$190, 000 at 3.00%	$5,700.00
$380,000 at 3.00%	$11,400.00
$415,000 at 3.50%	$14,525.00
$450,000 at 4.00%	$18,000.00
$495,000 at 4.00%	$19,800.00
$540,000 at 4.50%	$24,300.00
$590,000 at 4.50%	$26,550.00

$640,000 at 4.50%	$28,800.00
$695,000 at 4.50%	$31,275.00
$1,045,000 at 5.125%	$53,556.25
$1,125,000 at 5.125%	$57,656.25
$1,215,000 at 5.125%	$62,268.75
Term 2019 Bonds of $1,575,000 at 5.125%	$80,718.75
Term 2013 Bonds of $1,855,000 at 5.125%	$95,068.75
Term 2029 Bonds of $4,445,000 at 5.125%	$227,806.25
Total:	$757,425.00

There is no principal amount due on July 1, 2007; total debt service is, therefore, $757,425.00.

(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 $4,700. The fees and expenses of the administrator are estimated to be $8,500. The expenses of the county are estimated to be $3,000. Accordingly, the total administrative expenses are estimated at $16,200.

(iii.) Contingency

A contingency, equal to approximately three percent of annual debt service, has been added in case there are unanticipated expenses; property tax delinquencies or interest income earned is less than estimated.

(iv.) Tax Increment Revenues

The full cash value of the taxable property in the tax increment district for the base year was equal to $37,704,600, resulting in assessed value of $15,081,840. The phased-in full cash value of the taxable property in the district as of July 1, 2006 is $297,250,412.. Beginning with fiscal year 2001-2002, assessed value is equal to full cash value; accordingly, the assessed value of the taxable property in the district for fiscal year 2006-2007 is equal to the full cash value, that is, $297,250,412. The incremental assessed value is, therefore, equal to $259,545,812 ($297,250,412 - $37,704,600 = $259,545,812). 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 2005-2006 was equal to $0.931 per $100 of assessed value. For purposes of estimating tax increment revenues for fiscal year 2006-2007, the same real property tax rate of $0.931 is assumed. Accordingly, based on the incremental assessed value in the district and the estimated real property tax rate, the tax increment revenues are estimated to be equal to $2,416,371.51.

According to the county, the tax increment revenue amount levied for FY 2006-2007 was $2,442,386 and the corresponding tax rate was $0.918 on each $100 of the full assessed value of real property.

(v.) Surplus from Prior year

The estimated surplus from the prior year that may be applied to pay debt service and administrative expense in fiscal year 2006-2007 is shown below in Table B. Debt service on the Series 2004 Bonds consists of an interest only payment of $378,787.50 due on July 1, 2006. Tax increment revenues were estimated to be $1,531,330.47 for fiscal year 2005-2006. According to Anne Arundel County, $1,666,752.00 in TIF revenues has been collected for fiscal year 2005-2006. According to the county, the $135,421.53 increase between the estimated and actual tax increment revenues for fiscal year 2005-2006 is explained by a decrease in the real property tax rate from $0.941 to $0.931 per $100 of assessed value and an aggregate increase in assessed value of $16,293,802 on the taxable property within the district by the Maryland State Assessor's Office.

Table V-2
Surplus from Prior Year

Debt Service:	
Interest on July 1, 2006	$378,713
Principal on July 1, 2006	$0
Total Debt Service	$378,713
Available Funds:	
TIF Revenues held by county	$1,288,040
Total Available Funds	$1,288,040
Funds transferred to the County's General Fund	$909,327
Surplus from Prior Year	$0

Anne Arundel County transferred $378,712.50 to the trustee on January 3, 2006 to make the semi-annual debt service payment of $378,712.50 on the Series 2004 Bonds on that date. As a result, the county is currently holding additional tax increment revenues totaling $1,288,039.50. A portion of the tax increment revenues held by the county will be transferred to make the semi-annual debt service payment of $378,712.50 on the Series 2004 Bonds on July 1, 2006, resulting in a surplus of tax increment revenues of $909,327.00. 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 2006-2007.

Summary

The total expenses of the district for fiscal year 2006-2007 are estimated to be equal to $798,425.00. Tax increment revenues available to pay the expenses are estimated to be $2,416,371.51, resulting in a special tax rate of zero.

B. SPECIAL TAXES LEVIED AND COLLECTED

Special taxes were not levied in fiscal years 2000-2001, 2001-2002, 2003-2004, 2004-2005, 2005-2006, or 2006-2007. As a result there are no delinquent special taxes for those fiscal years.

Special taxes were levied and collected in the amount of $326,743 for fiscal year 2002-2003. As a result there are no delinquent special taxes at this time.

C. DELINQUENT SPECIAL TAXES

There are no delinquent special taxes at this time.

D. COLLECTION EFFORTS

There are no special tax 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 Anne Arundel County, the ad valorem tax rate has decreased from $0.931 to $0.918 per $100 of assessed value for fiscal year 2006-2007.

D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

Table VI-1 on the following page shows the change in assessed value of the property within the district as of the phase-in date of July 1, 2006. Since the base year, January 1, 1995, the assessed value of the taxable in Phase I and II has increased by $259,545,812 or 688.37%. (For comparison purposes, the base year values below have been adjusted by utilizing full cash value for the base year.)

Table VI-1
Assessed Value of Property

Account Number	Lot	Base Full Cash Value (01/01/95)	Phased-in Assessed Value (07/01/06)	Amount of Increase
4-499-9006-2396	1	$211,100	$11,672,000	$10,691,400
4-499-9007-8976	3A	$433,925	$1,644,400	$607,875
4-499-9006-2388	3B	$22,080,800	$36,263,432	$9,576,766
4-499-9006-2386	4RA	$58,800	$1,104,032	$915,766
4-499-9006-2539	5RR	$174,650	$1,291,300	$907,050
4-499-9007-8979	6BR	$267,250	$13,176,300	$11,199,250
4-499-9006-2541	6AR	$3,668,250	$10,118,100	$4,975,250
4-499-9007-8980	7AR	$330,700	$13,176,300	$11,135,800
4-499-9006-2542	7B	$6,069,100	$11,659,600	$4,221,400
4-499-9007-8981	8R	$254,150	$7,468,432	$6,054,616
4-499-9007-8983	10RR	$573,025	$18,538,732	$15,676,241
4-499-9007-8986	11R	$293,200	$14,443,900	$12,321,800
4-499-9010-0595	14RR	$779,225	$18,553,300	$13,290,375
4-499-9007-8991	16RR	$579,250	$24,123,466	$853,016
4-499-9007-8992	17R	$318,650	$11,860,216	$492,950
4-499-9007-8993	18RR	$474,950	$14,138,866	$12,134,883
4-499-9007-8994	19RR	$615,250	$24,390,900	$22,318,350
4-499-9007-8995	20RR	$251,600	$15,299,966	$12,812,433
4-000-0080-8475		$109,900	$193,432	$46,016
4-499-9006-2393	Res Pcl E	$34,000	$138,266	$52,133
4-499-9006-2395	Res Pcl G	$36,500	$148,566	$56,033
4-499-9006-2397	SWM Pond	$30,825	$25,900	($4,925)
4-499-9006-2547	SWM Pond	$700	$700	$0
4-499-9007-8977		$58,500	$0	($58,500)
4-499-9007-8985	SWM Pond	$100	$100	$0
4-499-9007-8990	Flood Plain	$100	$100	$0
4-499-9007-8996	SWM Pond	$100	$100	$0
Subtotal Phase I		**$37,704,600**	**$249,300,540**	**$211,595,940**
4-499-9022-0561	SWM Pond # 3	$0	$3,000	$3,000
4-499-9022-0562	Flood Plain	$0	$400	$400
4-499-9022-0563	SWM Pond # 3	$0	$0	$0
4-499-9022-0564	21R	$0	$16,212,924	$16,212,924
4-499-9022-0565	22R	$0	$1,822,166	$1,822,166
4-499-9022-0566	23R	$0	$16,246,720	$16,246,720
4-499-9022-0567	24R	$0	$1,423,632	$1,423,632
4-499-9022-0568	25R	$0	$1,458,200	$1,458,200

4-499-9021-8041	26R	$0	$1,716,432	$1,716,432
4-499-9022-0850	Pt Lot 26R	$0	$91,500	$91,500
4-499-9021-8042	27R	$0	$25,135,000	$25,135,000
4-499-9021-8043	28R	$0	$1,661,532	$1,661,532
4-499-9021-8044	29R	$0	$1,584,266	$1,584,266
4-499-9022-0569	30R	$0	$2,440,300	$2,440,300
4-499-9022-0570	31RR	$0	$311,400	$311,400
4-499-9022-0571	32RR	$0	$463,900	$463,900
Subtotal Phase II		**$0**	**$47,949,872**	**$47,949,872**
TOTAL:		**$37,704,600**	**$297,250,412**	**$259,545,812**

The base year assessed value reported in the Series 2000 Bonds Limited Offering Memorandum was $44,777,363, which included $7,868,800 for the Cedar Knolls property. Cedar Knolls was public property in the base year. The Series 2000 Limited Offering Memorandum included the value to be conservative. Table VI-1 shows the base assessed value excluding the Cedar Knolls parcel, since this is currently how tax increment revenues are being calculated. For comparison purposes, the base year assessed values for Lots 9 and 10, which were consolidated to form Lot 10RR have been combined. Likewise, the base year assessed values have been consolidated for Lots 12, 13 and 14, which were combined to create Lot 14RR, and Lots 15 and 16, which were combined to form Lot 16RR.

E. DISTRICT SPECIAL TAXES LEVIED

The amount of special taxes levied for FY06-07 is included in Subsection C "Special Taxes Levied and Collected" of Section V, "District Operations," of this report.

F. STATUS OF COLLECTION OF AD VALOREM AND SPECIAL TAXES

There are no delinquent ad valorem taxes at this time.

There were no special taxes levied on the property with in the district for fiscal year 2006-2007. As a result, there are no delinquent special taxes at this time.

G. PROPERTY OWNERSHIP

The current ownership of the property within the district is shown in Tables III-1 and III-2 of Section III, "Development Activity," of this report. The property owners within the district, other than the developer, COPT and related entities, include Anne Arundel County, RLJ Fort Meade Hotel, LLC, Hospitality Development, LLC, which owns the, 95-room Marriott Hotel, and GRDM, Inc., which owns the 10,000 square foot day care facility.

Table VI-2
Property Ownership

Owner	Phase-in Assessed Value (07/01/06)	Percent of Total
Constellation:		
Jolly Acres, LP	$100	0.%
Jolly COPT I, LTD	$6,100,832	2.05%
Arbitrage Land, LP	$193,432	0.07%
Jolly COPT II, LTD	$4,321,432	1.45%
Subtotal Constellation	**$10,615,796**	**3.57%**
COPT:		
COPT, LP	$165,066	0.06%
NBP One, LLC	$36,263,432	12.20%
NBP Lot 3A, LLC	$1,644,000	0.55%
NBP Retail, LLC	$1,291,300	0.43%
NBP 131-133-141, LLC	$24,835,900	8.36%
NBP 131-133-142, LLC	$10,118,100	3.40%
NBP IV, LLC	$13,176,300	4.43%
NBP 132, LLC	$18,538,732	6.24%
NBP 134, LLC	$14,443,900	4.86%
NBP 140, LLC	$18,553,300	6.24%
NBP 201, LLC	$15,299,966	5.15%
NBP 211, LLC	$24,390,900	8.21%
NBP 220, LLC	$24,123,466	8.12%
NBP 221, LLC	$14,138,866	4.76%
NBP 191, LLC	$11,860,216	3.99%
NBP 302, LLC	$1,822,166	0.61%
NBP 304, LLC	$16,212,924	5.45%
NBP 306, LLC	$16,246,720	5.47%
NBP 318, LLC	$1,661,532	0.56%
NBP 320, LLC	$1,584,266	0.53%
Subtotal COPT	**$266,371,052**	**89.62%**
RLJ Fort Meade Hotel, LLC	$11,672,000	3.93%
GRDM, Inc.	$974,566	0.33%
Hospitality Development, LLC	$7,468,432	2.51%
Anne Arundel County	$148,566	0.05%
Subtotal Others	**$20,263,564**	**6.82%**
TOTAL:	**$297,250,412**	**100.00%**

H. LAND USE AMENDMENTS

Other than the change in classification of Lot 1 from a reserved parcel to a subdivided lot, the developer reports that as of June 30, 2006, no other significant amendments to land use entitlements or legal challenges to the construction of the project have been made.

I. CHANGES TO DEVELOPMENT

Other than the proposed change for Lot 17R (5.413 acres), which the developer has developed as a stormwater management pond in lieu of the 10,000 square foot day care facility originally designed to be built Lot 17RR, there have been no other changes to development.

J. DEBT SERVICE SCHEDULES

The table below shows debt service coverage from tax increment revenues and special taxes.(For comparison purposes, the base year value below has been adjusted by utilizing full cash value for the base year.) The base assessed value is the value excluding the Cedar Knolls parcel in the base year, since this is currently how tax increment revenues are being calculated.

Table VI-3
Debt Service Coverage

Debt Service (bond year ending July 1, 2007	$757,425
Base Year Assessed Value (January 1, 1995)	$37,704,600
Phased-in Assessed Value July 1, 2006	$297,2508,412
Increase in Assessed Value	$259,545,812
County Tax Rate (FY 2006-07)	$0.9418
Tax Increment Revenues	$2,442,386
Debt Service Coverage	322.5%
Special Tax Levied (FY 2005-06)	$0
Debt Service Coverage	0%
Note: Special taxes may only be levied to the extent necessary to pay debt service after taking into account tax increment revenues.	

Significant Events

A. DEVELOPER'S 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 owned by the developer;

(iii) the filing by or against the developer or any affiliate thereof, the general partner or any member 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 an 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

(iv) 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 the development of finished commercial building lots in National Business Park or the construction of the project or litigation in excess of $1,000,000 which would materially adversely affect the financial conditions of the developer or any affiliate of the developer who owns property in the district.

Inquiries have been made with Constellation Real Estate regarding the occurrence of any significant event and they have reported that no significant events have occurred as of June 30, 2006.

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 (October 20, 2006).