

# DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Year Ending June 30, 2008

*\$9,916,620.58*

*Special Tax District Bonds, Series 2003A  
and*

*\$6,083,214.80*

*Special Tax District Bonds, Series 2003B  
The Villages of Dorchester Project  
(Anne Arundel County, Maryland)*

Prepared by:

**MUNICAP, INC.**

November 24, 2008

## **DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT**

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## ***I. UPDATED INFORMATION***

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Information updated from the Private Placement Memorandums dated March 24, 2003 (Series 2003A) and December 12, 2003 (Series 2003B) is as follows:

- As of June 30, 2008, the developer reports that \$12,815,815 of bond proceeds had been expended for the construction of the public improvements, representing 100 percent of the bond proceeds budgeted for the public improvements.
- As of June 30, 2008, the developer reports that all 784 lots have been platted.
- As of June 30, 2008, the developer reports that 784 finished lots within the district have been sold to builders, representing 100 percent of the available lots within the district. According to the developer, 71 single-family lots and 152 townhouse lots have been sold to NVHomes. A total of 164 single-family lots and 397 townhouse lots have been sold to Ryan Homes.
- As of June 30, 2008, Ryan Homes reports that a total of 539 homes had been sold to individual homebuyers, and 507 homes had closed with homebuyers. As of June 30, 2008, NVHomes reports that 223 homes had been sold to individual homebuyers, and 185 homes had closed with homebuyers. Accordingly, 762 homes within the development had been sold to homeowners, representing 97.2 of the total number of lots within the district.
- As of June 30, 2008, the developer reports that a total of \$54,391,905 had been drawn and repaid for the Acquisition and Development Loan. As a result, the balance on the Acquisition and Development Loan is zero.
- As of June 30, 2008, the developer reports that a total of \$8,456,000 had been drawn and repaid for the Mezzanine Loan. As a result, the balance on the Mezzanine Loan is zero.
- Special taxes in the amount of \$1,109,576 were levied for fiscal year 2007-2008. According to Anne Arundel County, as of October 1, 2008, the county had collected a total of \$1,109,574.08. According to the county, the outstanding special tax in the amount of \$2 will be included with the special tax bill for fiscal year 2008-2009.
- Special taxes in the amount of \$1,109,585 were levied for fiscal year 2008-2009. Special taxes are due in two installments on September 30, 2008 and December 31, 2008. As of June 30, 2008, there are no delinquent special taxes for fiscal year 2008-2009.
- The fiscal year 2008-2009 phased-in assessed value of the property within the Villages of Dorchester is \$231,957,145.
- As of July 1, 2008, the phased-in full cash value of the property within the district was \$231,957,145. The market value is equal to the phased-in full cash value of the district. As of July 1, 2008, the outstanding balance on the Series 2003A and B Bonds was \$7,986,621 and \$5,055,215, respectively. Accordingly, the total amount of Series 2003A and B Bonds outstanding on July 1, 2008 was \$13,041,835. As a result, the value-to-lien ratio for the Series 2003A and B Bonds was 17.79.

## ***II. INTRODUCTION***

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The \$9,916,620.58 Series 2003A and \$6,083,214.80 Series 2003B Bonds were issued pursuant to the provisions of Article 24, Section 9-1301 of the Annotated Code of Maryland (2001 Replacement Volume) (the “Act”), Article 6, Sections 4A-101 through 4A-106 of Title 4A of the Anne Arundel County Code (the “County Implementing Law”) and a Resolution of the County Council of Anne Arundel County, Maryland adopted December 1, 1997, approved by the County Executive on December 5, 1997 and effective January 19, 1998 (the “Resolution”) and pursuant to an Indenture of Trust by and between Anne Arundel County, Maryland (the “County”) and Manufacturers and Traders Bank (formerly Allfirst Trust Company National Association), as trustee, dated as of March 1, 2003.

The development is a planned residential community known as “The Villages of Dorchester,” consisting of 246.5 acres of land in Anne Arundel County, located approximately three miles southwest of the Baltimore Washington International Airport. The district lies in the southeast quadrant of the intersection of the Baltimore-Washington Parkway and Maryland Route 100. The property is accessible from a newly constructed off-ramp on the Baltimore-Washington Parkway to the west, from an intersection of Arundel Mills Boulevard and Ridge Road to the east and south, and from Wright Road to the north. The district abuts, but does not access, Clark Road, which forms the southern border of the district. The Baltimore-Washington Parkway, Maryland Routes 100, 186 (Dorsey Road) and 713 (Ridge Road) are accessible from the district, providing access for commuters to locations south of Baltimore, Maryland and to the Baltimore-Washington International Airport.

The development is owned by CC-Dorchester, LLC, a Maryland limited liability company, the general manager of which is Classic Community Corporation, a Maryland Corporation. Classic Community Corporation is also the developer of the project.

The information provided herein is not intended to supplement or otherwise relate to the information provided in the Limited Offering Memorandum and any such intent is expressly disavowed. Rather, this report responds to the specific requirements of the continuing disclosure agreement.

**No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of June 30, 2008, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.**

### ***III. DEVELOPMENT ACTIVITY***

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#### **A. OVERVIEW**

The development is a planned residential community known as “The Villages of Dorchester,” consisting of 246.5 acres of land in Anne Arundel County and is located approximately three miles southwest of the Baltimore Washington International Airport. According to the Private Placement Memorandum, the development has been approved by the county as a Planned Unit Development (“PUD”) consisting of 13 parcels, and is limited to the development of a total of 784 residential units, of which up to 246 units may be single-family detached units and the remaining units may be attached residential units, but not apartments. At the time of bond issuance, the county had given the necessary subdivision approvals for 223 single family lots on Parcels F (95 lots), G (33 lots) and L (95 lots), and as of December 1, 2003, homeowners had settled on forty-six of the lots subdivided from Parcel L.

According to the Private Placement Memorandum, NVR, Inc. is the sole contract purchaser of all of the lots from the owner. NVR, Inc. constructs and sells homes under the Ryan Homes, NVHomes and Fox Ridge trade names. The Villages of Dorchester development is being constructed by Ryan Homes and NVHomes.

#### **B. GOVERNMENTAL APPROVALS**

According to the Private Placement Memorandum, all of the parcels that were subdivided into lots were zoned for single-family detached dwellings and townhouse dwellings. No additional zoning exactions, variances or approvals of conditional uses were required for the use of the property. However, until final subdivision approval was given and the subdivision plat was recorded, the county could have changed or modified the zoning requirements.

According to the Private Placement Memorandum, the first step for the approval of a subdivision plat was approval of a Sketch Plan, which outlined the proposed development. The next step was Final Plan Approval, which contained a more detailed plan of the development rights. At the time of bond issuance, the owner expected that Final Plan Approval would be obtained on a parcel-by-parcel basis. As the last step, after Final Plan Approval and approval for all of the other plans, a subdivision plat was approved for record, thereby entitling the owner to sell subdivided lots. At the time of bond issuance, a total of 223 lots on Parcels F, G and L had been approved for subdivision and plat recording. The future development of the property was dependent on subdivision approval of the remaining parcels.

Table III-1 on the following page shows, on a parcel-by-parcel basis, the plan approvals received to date. As of June 30, 2008, the developer reports that all required approvals for the district have been obtained from the required issuing entities.

**Table III-1**  
**Status of Government Approvals**

<b>Parcel</b>	<b>Area (acres)</b>	<b>Maximum Number of Lots</b>	<b>Planned Number of Units</b>	<b>Sketch Plan</b>	<b>Final Plan</b>	<b>Subdivision Plat</b>
Parcel A	3.1	15	8	Approved	Approved	Approved
Parcel B & C	25.2	190	181	Approved	Approved	Approved
Parcel D	17.0	60	52	Approved	Approved	Approved
Parcel E	8.7	100	82	Approved	Approved	Approved
Parcel F	12.2	100	95	Approved	Approved	Approved
Parcel G	5.3	40	33	Approved	Approved	Approved
Parcel H	8.1	50	41	Approved	Approved	Approved
Parcel I	8.0	50	41	Approved	Approved	Approved
Parcel J	26.8	30	12	Approved	Approved	Approved
Parcel K	32.9	110	83	Approved	Approved	Approved
Parcel L	46.2	110	95	Approved	Approved	Approved
Parcel M	31.3	70	61	Approved	Approved	Approved
<b>Total</b>	<b>251.8</b>	<b>925</b>	<b>784</b>			

**C. STATUS OF DEVELOPMENT**

According to the Private Placement Memorandum, the property is being developed over several years, on a parcel-by-parcel basis. For the purposes of planning the development of the property, the developer expected that the property would be developed in two basic phases, the first phase consisting of Parcels F, G, K, L and M and the second phase consisting of Parcels A, B, C, D, E, H, I and J.

Table III-2 on the following page provides the status of parcel development including classification, number of anticipated units, number of units platted, and the number of building permits issued as provided by the developer as of June 30, 2008. As of June 30, 2008, the developer reports that all 784 lots have been platted. As of the Date of Classification (April 1, 2008), the developer reports that building permits have been issued for 236 single-family units and 462 townhouse units. As a result, 698 units have been classified as developed for special tax purposes for fiscal year 2008-2009.

**Table III-2**  
**Status of Development**

<b>Parcel</b>	<b>Classification of Parcel</b>	<b>Planned Number of Units</b>	<b>Units Platted</b>	<b>Building Permits Issued</b>
Reserve Parcel A	Townhouse	8	8	8
Reserve Parcel B	Townhouse	101	101	46
Reserve Parcel C	Townhouse	80	80	56
Reserve Parcel D	Townhouse	52	52	52
Reserve Parcel E	Townhouse	82	82	82
Reserve Parcel F	Townhouse	95	95	95
Reserve Parcel G	Townhouse	33	33	33
Reserve Parcel H & I	Townhouse	82	82	82
Reserve Parcel J	Townhouse	8	8	8
<i>Subtotal Townhouse Units</i>		<i>541</i>	<i>541</i>	<i>462</i>
Reserve Parcel J	Single-family	4	4	4
Reserve Parcel K	Single-family	83	83	76
Reserve Parcel L	Single-family	95	95	95
Reserve Parcel M	Single-family	61	61	61
<i>Subtotal Single-family Units</i>		<i>243</i>	<i>243</i>	<i>236</i>
<b>Total</b>		<b>784</b>	<b>784</b>	<b>698</b>

As of June 30, 2008, the developer reports that 784 finished lots within the district have been sold to builders, representing 100 percent of the available lots within the district. According to the developer, 71 single-family lots and 152 townhouse lots have been sold to NVHomes. A total of 164 single-family lots and 397 townhouse lots have been sold to Ryan Homes

Table III-3 below shows the number of units sold to builders and number of units closed with builders for the property within the district.

**Table III-3**  
**Status of Sales and Closings with Builders**

<b>Unit Type</b>	<b>Plat Status</b>	<b>Units Sold to Builders</b>	<b>Units Closed with Builders</b>
Single Family	235	235	235
Townhouse	549	549	491
<b>Total</b>	<b>784</b>	<b>784</b>	<b>726</b>

As of June 30, 2008, Ryan Homes reports that 539 homes have been sold to individual homebuyers, and 507 homes have closed with homebuyers. As of June 30, 2008, NVHomes reports that 223 homes have been sold to homebuyers, and 185 homes have closed with homebuyers. Accordingly, a total of 762 homes within the development had been sold to homeowners, representing 97.2 of the total number of lots within the district. Table III-4 on the following page shows the status of sales to individual homeowners as of June 30, 2008.

**Table III-4**  
**Status of Sales and Closings with Homebuyers**

<b>Builder</b>	<b>Total Units</b>	<b>Units Sold</b>	<b>Units Closed</b>
Ryan Homes	561	539	507
NVHomes	223	223	185
<b>Total</b>	<b>784</b>	<b>762</b>	<b>692</b>

**D. PROPOSED PUBLIC IMPROVEMENTS**

According to the Private Placement Memorandum, the project consists of a portion of those public improvements for the Dorchester Improvement Area I, which may be financed, as permitted by the Act, with proceeds of the bonds. The bonds were expected to finance approximately \$12,815,815 of a total of \$17,988,693 in public improvements, with the developer financing proceeds for the balance of the requirement.

As of June 30, 2008, the developer reports that \$12,815,815 of bond proceeds had been expended for the construction of the public improvements, representing 100 percent of the budgeted funds. Table III-5 below shows the public improvements by line item and the amount expended as reported by the developer as of June 30, 2008.

**Table III-5**  
**Public Improvement Budget**

<b>Public Improvement</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
Major Roads	\$4,926,934	\$0	\$4,926,934	\$4,926,934	100%
Water Main	\$380,000	\$0	\$380,000	\$380,000	100%
Water Pump	\$550,000	\$0	\$550,000	\$550,000	100%
Trunk Sewer Line	\$3,451,770	\$0	\$3,451,770	\$3,451,770	100%
Local Public Improvements	\$5,584,148	\$0	\$5,584,148	\$5,584,148	100%
School Facilities	\$2,156,000	\$0	\$2,156,000	\$2,156,000	100%
Storm Water Mgmt Facilities	\$225,000	\$0	\$225,000	\$225,000	100%
Engineering and Permits	\$714,841	\$0	\$714,841	\$714,841	100%
Total Eligible Costs	\$17,988,693	\$0	\$17,988,693	\$17,988,693	100%
Less Other Funds	(\$5,172,878)	\$0	(\$5,172,878)	(\$5,172,878)	100%
<b>Total Bond Funded Costs</b>	<b>\$12,815,815</b>	<b>\$0</b>	<b>\$12,815,815</b>	<b>\$12,815,815</b>	<b>100%</b>

**E. STATUS OF FINANCING**

According to the Private Placement Memorandum, in addition to the proceeds of the bonds, the developer has secured a revolving land acquisition and development loan in the maximum principal amount of \$25,000,000 from Branch Banking and Trust Company of Virginia, the proceeds of which will be made available to the owner. In addition, the owner has secured an acquisition, subdivision, and development loan in the maximum principal amount of \$8,456,000 (the "Mezzanine Loan") from Property Holdings, LLC, a Virginia limited liability company. The Acquisition and Development Loan and the Mezzanine Loan each closed on January 17, 2002.

As of June 30, 2008, the developer reports that a total of \$54,391,905 has been drawn and repaid for the Acquisition and Development Loan. The developer also reports that a total of \$8,456,000 has been drawn and repaid for the Mezzanine Loan. As of August 26, 2008, the developer reports that the Acquisition and Development Loan and the Mezzanine Loan have been repaid. The outstanding principal balance of each loan is zero.

#### IV. TRUSTEE ACCOUNTS

The trustee for the Series 2003 Bonds is Manufacturers and Traders Bank (formerly Allfirst Company National Association). The following table shows the balance as of June 30, 2007, interest paid, additional proceeds, disbursements and account balances as of June 30, 2008:

**Table IV-1**  
**Fund Balances**

Account	Balance 6/30/07	Interest Paid	Additional Proceeds	Disburse- ments	Balance 6/30/08
Series 2003A Bond Fund	\$563	\$2	\$1,092,702	\$1,093,265	\$2
Series 2003A Administrative Expense Fund	\$24,848	\$1,664	\$23,641	\$11,783	\$38,371
Series 2003A Reserve Fund	\$1,015,303	\$38,270	\$0	\$23,641	\$1,029,932
Special Tax Fund	\$610,459	\$8,954	\$1,095,912	\$1,092,702	\$622,623
Series 2003B Reserve Fund	\$524,075	\$20,159	\$0	\$0	\$544,234
<b>Total</b>	<b>\$2,175,248</b>	<b>\$69,049</b>	<b>\$2,212,255</b>	<b>\$2,221,390</b>	<b>\$2,235,161</b>

Additional proceeds to the Bond Fund represent transfers of special tax collections from the Special Tax Fund for the payment of debt service. Additional proceeds to the Administrative Expense Fund were transfers of investment income from the Series A and Series B Reserve Funds in excess of the reserve requirement. Disbursements from the Administrative Expense Fund represent the payment of administrative expenses. The developer had submitted a Certificate of Completion to the trustee upon completion of the public improvements, and the remaining funds in the Acquisition Fund were transferred to the Bond Fund in July 2006 pursuant to Section 4.02(g) of the Trust Indenture.

The interest paid through June 30, 2008 does not include interest accrued but not yet paid. Bond proceeds are invested in U.S. Government Money Market Funds currently earning 1.84 percent per year. Table IV-2 provides a listing of the funds and accounts and their rate of return as of June 30, 2008.

According to Article IV of the Trust Indenture, investment income on the Bond Fund will be used for the payment of principal and interest and any premium on the Series 2003A and Series 2003B Bonds. Amounts in the Administrative Expense Fund will be used for administrative expenses. Annually, on the last day of the fiscal year, the Controller may withdraw any amounts in the fund that have been allocated to pay administrative expenses but not yet paid and which are not otherwise encumbered and transfer such amounts to the Special Tax Fund. Investment income on the Special Tax Fund will be retained in the fund and be used for the purposes of the fund. Investment income in the Reserve Fund will be used first to pay debt service in the event of any deficiency in the Bond Fund of the amount then required. Investment income in the Reserve Fund will be transferred to the Administrative Expense Fund if there is no deficiency for the payment of debt service.

**Table IV-2**  
**Rate of Return**

Account	Rate of Return
Series 2003A Administrative Expense Fund	1.84%
Series 2003A Reserve Fund	1.84%
Special Tax Fund	1.84%
Series 2003B Reserve Fund	1.84%

## V. *DISTRICT OPERATIONS*

### A. SPECIAL ASSESSMENTS LEVIED AND COLLECTED

A special tax is to be imposed each year within the Dorchester Special Taxing District in an amount sufficient to fund the “Special Tax Requirement.” The special tax requirement, generally, is equal to (i) annual debt service and administration expenses, less (ii) investment income on the other funds available to pay debt service.

Table V-1 provides a summary of the special tax requirement for fiscal year 2008-2009. The special tax requirement for fiscal year 2008-2009 is \$1,109,585.05. The special tax requirement for fiscal year 2008-2009 is explained in the following sections.

**Table V-1**  
**Special Tax Requirement**  
**Fiscal Year 2008-2009**

<b>Debt Service Series 2003A and B Bonds:</b>	
Series 2003A Interest due on January 1, 2009	\$93,051
Series 2003A Principal due on January 1, 2009	\$220,000
Series 2003A Interest due on July 1, 2009	\$86,121
Series 2003A Principal due on July 1, 2009	\$277,000
Series 2003B Interest due on January 1, 2009	\$51,503
Series 2003B Principal due on January 1, 2009	\$178,000
Series 2003B Interest due on July 1, 2009	\$47,498
Series 2003B Principal due on July 1, 2009	\$178,000
<b>Total Debt Service</b>	<b>\$1,131,172</b>
Administrative Expenses	\$22,741
Contingency	\$135,175
Sub-total expenses	\$1,289,543
<b>Available Funds:</b>	
Series 2003A Reserve Fund Investment Income	(\$19,833)
Series 2003B Reserve Fund Investment Income	(\$10,237)
Estimated Surplus from Prior Year	(\$149,888)
<b>Sub-total available funds</b>	<b>(\$179,958)</b>
<b>Special Tax Requirement</b>	<b>\$1,109,585</b>

#### *Debt Service*

Debt service consists of semi-annual interest payments for the current interest Series 2003A Bonds due on January 1, 2009 and July 1, 2009 in the respective amounts of \$93,051.00 and \$86,121.00, and principal payments for the current interest Series 2003A Bonds due on January 1, 2009 and July 1, 2009 in the respective amounts of \$220,000.00 and \$277,000.00. Debt service also consists of semi-annual interest payments for the current interest Series 2003B Bonds due on January 1, 2009 and July 1, 2009 in the respective amounts of \$51,502.50 and \$47,497.50, and principal payments for the current interest Series 2003B Bonds due on and January 1, 2009 and July 1, 2009 in the respective amounts of \$178,000.00 and \$178,000.00. As a result, total debt service is equal to \$1,131,172.00.

#### *Administration Expenses*

Administrative expenses for fiscal year 2007-2008 not funded from other sources were estimated to be \$22,740.95. Increasing this amount for inflation results in estimated administrative expenses not funded

from other sources of \$23,195.77 for fiscal year 2008-2009.

#### *Contingency*

A contingency, equal to approximately twelve percent of estimated expenses, has been added in the event there are unanticipated expenses or special tax delinquencies.

#### *Reserve Fund Investment Income*

As of March 31, 2008, the balance in the Series 2003A Reserve Fund was \$1,024,324.53, which included the reserve requirement of \$991,662.05 and investment income posted to the account in the amount of \$32,662.48. Bond proceeds in the Series 2003A Reserve Fund are invested in a money market account earning 2.42 percent. Interest rates have been declining over the last several months. As a result, investment income is estimated based on a money market rate of 2.00 percent. At this rate, an estimated \$19,833.24 in annual investment income will be earned on the Series 2003A Reserve Fund. As provided for in the Trust Indenture, so long as the Series 2003A Acquisition Account has not been closed under Section 4.02 (g) of the indenture proceeds in excess of the reserve requirement will be transferred to the Series 2003A Acquisition Account of the Improvement Fund. The Series 2003A Acquisition Account of the Improvement Fund was closed on July 1, 2006. As a result, the Series 2003A Reserve Fund interest earnings estimated to be earned above will be available to pay debt service or administrative expenses for fiscal year 2008-2009.

As of March 31, 2008, the balance in the Series 2003B Reserve Fund was \$541,270.70, which included the reserve requirement of \$511,842.00 and interest income posted to the account in the amount of \$29,428.70. Bond proceeds in the Series 2003B Reserve Fund are invested in a money market account earning 2.42 percent. Interest rates have been declining over the last several months. As a result, investment income is estimated based on a money market rate of 2.00 percent. At this rate, an estimated \$10,236.84 in annual investment income will be earned on the Series 2003B Reserve Fund. As provided for in the Trust Indenture, so long as the Series 2003B Acquisition Account has not been closed under Section 4.02 (g) of the indenture proceeds in excess of the reserve requirement will be transferred to the Series 2003B Acquisition Account of the Improvement Fund. The Series 2003B Acquisition Account of the Improvement Fund was closed on July 1, 2006. As a result, the Series 2003B Reserve Fund interest earnings estimated to be earned above will be available to pay debt service or administrative expenses for fiscal year 2008-2009.

#### *Estimated Surplus from Prior Year*

The estimated surplus that may be applied to pay debt service and administrative expenses on the Series 2003A Bonds in fiscal year 2008-2009 is shown below in Table B. The debt service payments due on July 1, 2008 consists of an interest payment on the Series 2003A Bonds of \$100,894.50, a principal payment on the Series 2003A Bonds of \$249,000.00, an interest payment on the Series 2003B Bonds of \$55,237.50 and a principal payment on the Series 2003B Bonds of \$166,000.00. As a result, total debt service on the Series 2003A and B Bonds on July 1, 2008 equals \$571,132.00. Special taxes in the amount of \$1,109,576.38 were levied in fiscal year 2007-2008. According to Anne Arundel County, as of April 10, 2008, special taxes in the amount of \$1,095,912.12 had been collected. According to the county, the uncollected balance of \$13,664.26 will be collected at tax sale, which is scheduled for June 3, 2008. (For purposes of calculating the surplus from the prior year, the uncollected balance has been excluded.) The county transferred \$834,656.21 of the special taxes collected to the trustee on December 27, 2007. The county anticipates transferring the balance of the special taxes collected, \$261,255.91, prior to the next debt service payment on the Series 2003A and 2003B Bonds on July 1, 2008. As of March 31, 2008, the balance in the Special Tax Fund was \$358,865.68 and the balance in the Bond Fund was \$2.17.

**Table V-2**  
**Surplus from Prior Year**

<b>Debt Service:</b>	
Series 2003A Interest due on July 1, 2008	(\$100,895)
Series 2003A Principal payment due July 1, 2008	(\$249,000)
Series 2003B Interest due on July 1, 2008	(\$55,238)
Series 2003B Principal due on July 1, 2008	(\$166,000)
<b>Total debt service</b>	<b>(\$571,132)</b>
<b>Available Funds:</b>	
Balance of FY07-08 special taxes to be transferred	\$261,256
Series 2003A Reserve Fund Investment Income at 03/31/08	\$32,662
Series 2003A Reserve Fund Investment Income thru 06/30/08	\$4,958
Series 2003B Reserve Fund Investment Income at 03/31/08	\$29,429
Series 2003B Reserve Fund Investment Income thru 06/30/08	\$2,559
Special Tax Fund balance at 03/31/08	\$358,866
Bond Fund balance at 03/31/08	\$2
Administrative Expense Fund balance at 03/31/08	\$40,566
FY07-08 administrative expenses	(\$9,278)
<b>Estimated surplus from prior year</b>	<b>\$149,888</b>

As mentioned above, the balance in the Series 2003A Reserve Fund as of March 31, 2008 was \$1,024,324.53, which included the reserve requirement of \$991,662.05 and interest income posted to the account in the amount of \$32,662.48. Bond proceeds in the Series 2003A Reserve Fund are invested in a money market account earning an estimated 2.00 percent. At this rate, an additional \$4,958.31 in estimated interest will be earned on the Series 2003A Reserve Fund through June 30, 2008. These funds will be made available to pay debt service on July 1, 2008.

As of the same date, the balance in the Series 2003B Reserve Fund was \$541,270.70, which included the reserve requirement of \$511,842.00 and interest income posted to the account in the amount of \$29,428.70. Bond proceeds in the Series 2003B Reserve Fund are invested in a money market account earning an estimated 2.00 percent. At this rate, an additional \$2,559.21 in estimated interest will be earned on the Series 2003B Reserve Fund through June 30, 2008. These funds will be made available to pay debt service on July 1, 2008.

As of March 31, 2008, the balance in the Administrative Expense Fund was \$40,565.65. Administrative expenses for fiscal year 2007-2008 were estimated to be \$22,740.95. As of March 31, 2008, \$13,462.51 in fiscal year 2007-2008 administrative expenses had been paid, resulting in \$9,278.44 in prior year administrative expenses that can be funded with the balance currently held in the Administrative Expense Fund. As a result, an aggregate surplus of \$149,887.67 is estimated to be available for fiscal year 2008-2009.

*Summary*

The expenses of the district for fiscal year 2008-2009 exceed the available funds by \$1,109,585.05 (\$1,289,542.80 - \$179,957.75 = \$1,109,585.05). As a result, special taxes will be levied on taxable property in an amount equal to the Special Tax Requirement of \$1,109,585.05.

There are a total of 813 parcels in the special tax district, of which twenty-nine are tax-exempt. As a

result, there are 784 parcels of taxable property. According to the Private Placement Memorandum, the developer planned to build 784 units. As a result, final plats of subdivision have been recorded for all 784 parcels of taxable property to be built in the district. Table V-3 below summarizes the special taxes levied on the 784 parcels of taxable property by unit type and property class, developed or undeveloped, for fiscal year 2008-2009.

**Table V-3  
Special Tax Summary  
Fiscal Year 2008-2009**

Unit Type	Per Unit Special Tax Rate	Developed	Developed Special Tax	Undeveloped	Undeveloped Special Tax	Total	Aggregate Special Tax
Townhouse	\$1,209.08	462	\$558,594.96	79	\$76,119.66	541	\$634,714.62
Single-family	\$1,965.70	236	\$463,905.20	7	\$10,965.50	243	\$474,870.70
Total		698	\$1,022,500.16	86	\$87,085.16	784	\$1,109,585.32

The aggregate special tax on all of the property in Table V-3 above is \$0.27 greater than the special tax requirement as a result of rounding.

**B. DELINQUENT ASSESSMENTS**

Special taxes in the amount of \$1,109,576 were levied for fiscal year 2007-2008. According to Anne Arundel County, as of October 1, 2008, the county had collected a total of \$1,109,574. According to the county, the outstanding special tax in the amount of \$2 was expected to be included with the special tax bill for fiscal year 2008-2009.

Special taxes in the amount of \$1,109,585 were levied for fiscal year 2008-2009. Special taxes are due in two installments on September 30, 2008 and December 31, 2008. As of June 30, 2008, there are no delinquent special taxes for fiscal year 2008-2009.

**C. COLLECTION EFFORTS**

The outstanding special tax in the amount of \$2 was expected to be included on the special tax bill for fiscal year 2008-2009. As a result, there are no collection efforts at this time.

## **VI. DISTRICT FINANCIAL INFORMATION**

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The information provided in this section is intended 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 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 June 30, 2008, unless otherwise stated.

### **A. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT**

As of June 30, 2008, there have been no changes to the Rate and Method of Apportionment of the Special Taxes since the Series 2003A and Series 2003B Bonds were issued.

### **B. ASSESSED VALUE AND SPECIAL TAX LEVY OF THE DISTRICT**

The value to lien ratio is based on the July 1, 2008 phased-in full cash value of the district. As of July 1, 2008, the phased-in full cash value of the property within the district was \$231,957,145. The market value is equal to the phased-in full cash value of the district. As of July 1, 2008, the outstanding balance on the Series 2003A and B Bonds was \$7,986,621 and \$5,055,215, respectively. Accordingly, the total amount of Series 2003A and B Bonds outstanding on July 1, 2008 was \$13,041,835. As a result, the value-to-lien ratio for the Series 2003A and B Bonds was 17.79. Table VI-1 below shows the value-to-lien ratio with respect to the Villages of Dorchester development for the Series 2003 Bonds.

**Table VI-1**  
**Series 2003A and B Bonds Value-to-Lien Ratio**

	<b>Dorchester District</b>
Estimated Market Value	\$231,957,145
Series 2003A and B Bonds Outstanding	\$13,041,835
<b>Value-to-Lien Ratio</b>	<b>17.79</b>

Special taxes in the amount of \$1,109,576 were levied for fiscal year 2007-2008. According to Anne Arundel County, as of October 1, 2008, the county had collected a total of \$1,109,574. According to the county, the outstanding special tax in the amount of \$2 was expected to be included with the special tax bill for fiscal year 2008-2009.

Special taxes in the amount of \$1,109,585 were levied for fiscal year 2008-2009. Special taxes are due in two installments on September 30, 2008 and December 31, 2008. As of June 30, 2008, there are no delinquent special taxes for fiscal year 2008-2009.

### **C. PRINCIPAL DISTRICT TAXPAYERS**

Table VI-2 on the following page shows the principal district taxpayers representing more than five percent of the levy of special taxes for fiscal year 2008-2009, the amount of levy against the landowner and the percentage of such special taxes relative to the entire levy within the district. For fiscal year 2008-2009, CC-Dorchester LLC is responsible for \$115,829 in special taxes, representing 10.4 percent of the total special tax levy.

**Table VI-2**  
**Principal District Taxpayers**

<b>Taxpayer</b>	<b>Special Tax</b>	<b>Percentage</b>
CC-Dorchester LLC	\$115,829	10.4%
Individual homeowners	\$993,756	89.6%
<b>Total</b>	<b>\$1,109,585</b>	<b>100.0%</b>

**D. AMENDMENTS TO LAND USE ENTITLEMENTS OR LEGAL CHALLENGES**

As of June 30, 2008, the developer reports that there have been no significant amendments to land use entitlements or legal challenges to the construction of the public improvements or the development.

**E. CHANGES IN THE TYPES OF PUBLIC IMPROVEMENTS**

As of June 30, 2008, the developer reports that there have been no changes in the types of public improvements constructed from those stated in the Private Placement Memorandum. The status of the improvements is provided in Section III, "The Development," of this report.

## ***VII. SIGNIFICANT EVENTS***

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### **A. DEVELOPER SIGNIFICANT EVENTS**

Developer's significant events generally include the following:

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

Inquiries have been made with Classic Community Corporation regarding the occurrence of any significant event and they have reported that to their knowledge, no significant events have occurred as of June 30, 2008.

### **B. LISTED EVENTS**

The administrator shall file a notice of the occurrence of any of the following Listed Events of which the administrator has actual knowledge with the Municipal Securities Rulemaking Board, any Repository and each Notice Holder, as prescribed in Section 3 of the Administrator's and County's Continuing Disclosure Agreement.

Notice events generally include the following:

- (i) delinquency in payment when due of any principal of or interest on the bonds;
- (ii) occurrence of any default under the Indenture (other than as described in clause (i) above);
- (iii) Amendment to the Indenture modifying the rights of the bondowners;
- (iv) Giving notice of optional or unscheduled redemption of bonds;

- (v) Defeasance of bonds or any portion thereof;
- (vi) Any rating assigned by a nationally recognized ratings service and, if rated, any change in the rating on the bonds;
- (vii) Adverse tax opinions or events affecting the tax-exempt status of the bonds;
- (viii) Any unscheduled draws on any credit enhancement reflecting financial difficulties;
- (ix) Any change or substitution in the provider of any credit enhancement reflecting financial difficulties;
- (x) The release, substitution or sale of property securing repayment of the bonds (including property leased, mortgaged or pledged as security); and
- (xi) The continuing disclosure event notices provided to the administrator by the owner as more particularly set forth in the owner's and the Developer's Continuing Disclosure Agreement so long as the owner owns property in the district.

The administrator does not have knowledge of any listed events as of the date of this report.