

# DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Quarter Ending December 31, 2005

*\$9,000,000 Village of Lakemoor, Illinois  
McHenry and Lake Counties, Illinois  
Special Tax Refunding Bonds, Series 2006  
(Lakemoor Special Service Area Number 97-1)*

Prepared by

**MUNICAP, INC.**

July 25, 2006

**DEVELOPMENT ACTIVITY AND  
DISCLOSURE REPORT**  
For the Quarter Ending December 31, 2005

<b>I.</b>	<b>UPDATED INFORMATION</b>	<b>1</b>
<b>II.</b>	<b>INTRODUCTION</b>	<b>2</b>
<b>III.</b>	<b>DEVELOPMENT ACTIVITY</b>	<b>4</b>
	<b>A. Status of Governmental Permits</b>	<b>4</b>
	<b>B. Status of Construction</b>	<b>6</b>
	<b>C. Status of Sales</b>	<b>6</b>
	<b>D. Status of Financing</b>	<b>7</b>
	<b>E. General Development Issues</b>	<b>9</b>
<b>IV.</b>	<b>TRUSTEE ACCOUNTS</b>	<b>10</b>
<b>V.</b>	<b>DISTRICT OPERATIONS</b>	<b>12</b>
	<b>A. Special Tax Requirement</b>	<b>12</b>
	<b>B. Delinquent Special Taxes</b>	<b>15</b>
	<b>C. Collection Efforts</b>	<b>15</b>
<b>VI.</b>	<b>DISTRICT FINANCIAL INFORMATION</b>	<b>16</b>
	<b>A. Bonds Outstanding and Reserve Fund</b>	<b>16</b>
	<b>B. Property By Ownership and Classification</b>	<b>16</b>
	<b>C. Special Taxes Paid By Owner and Classification</b>	<b>16</b>
	<b>D. Interest Letter of Credit</b>	<b>17</b>
<b>VII.</b>	<b>SIGNIFICANT EVENTS</b>	<b>18</b>

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

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Information updated in this report for the period ending December 31, 2005 is as follows:

- On June 21, 2006, the Village of Lakemoor, McHenry and Lake Counties, Illinois, Special Service Area Number 97-1 refunded and defeased the Series 1997 Special Tax Bonds with Series 2006 Special Tax Refunding Bonds with a par value of \$9,000,000.
- On June 28, 2006, \$21,023.53 was transferred from the Series 2006 Improvement Fund to the Series 2006 Escrow Account. These funds will be used to redeem principal and pay interest on the Series 2006 Bonds on September 1, 2006.
- According to Neumann Homes, 21 townhouse units are under construction.
- Home sales through December 31, 2005 were 591 compared to 580 in the previous quarter. Closings on homes through December 31, 2005 were 580 compared to 572 in the previous quarter.
- Northern Lights Holding Company, LLC reports that the commercial property was sold to Lake Cook Property Management in June 2006. The commercial property owner reports no new leases have been signed since the prior quarter.
- The release of an additional letter of credit in the amount of \$100,000.00, which was issued by Cole Taylor Bank for the benefit of the Village representing a retention amount for the completion of the public improvements, is pending written release from the village.
- As of December 31, 2005, developed property included 601 homes (84.1% of the total) compared to 578 in the previous quarter.
- There are no delinquent special taxes for calendar years 1998 through 2004.
- Special taxes in the amount of \$789,554.15 have been levied in 2005 to be collected in two equal installments of \$394,777.08 in June and September of 2006. As of July 6, 2006, Lake and McHenry Counties have reported collecting and transferring to the trustee \$378,021.44, representing 95.8 percent of the special taxes due. First half special taxes due from Lake County were \$262,477.84. As of July 5, 2006, Lake County had reported collecting \$254,108.41. As a result, \$8,369.43 in first half calendar year 2005 special taxes remains outstanding for Lake County. First half special taxes due from McHenry County were \$132,229.24. As of July 6, 2006, McHenry County had reported collecting \$123,913.03. As a result, \$8,386.21 in first half calendar year 2005 special taxes remains outstanding for McHenry County. According to Lake and McHenry Counties, the uncollected balance of the first half installment of the calendar year 2005 special taxes will be collected with the second half installment due in September 2006.

## ***II. INTRODUCTION***

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The Village of Lakemoor, McHenry and Lake Counties, Illinois, Special Service Area Number 97-1 issued the \$9,000,000 Series 2006 Special Tax Refunding Bonds to refund and defease the \$9,000,000 Series 1997 Special Tax Bonds Lakemoor Special Service Area Number 97-1, which was created and bonds issued in 1997 by the Village of Lakemoor, Illinois, pursuant to and in accordance with (i) the Illinois Constitution of 1970, (ii) the Special Service Area Tax Law, (iii) an Ordinance of the Village adopted on July 21, 1997, providing for the issuance of the bonds, and (iv) a trust indenture dated as of July 1, 1997, between the Village of Lakemoor and J.P. Morgan Trust Company (formerly American National Bank and Trust Company of Chicago, Illinois). The Series 2006 Special Tax Refunding Bonds were issued pursuant to and in accordance with (i) the Illinois Constitution of 1970, (ii) the Special Service Area Tax Law, (iii) Ordinance Number 06-O-12, which was adopted by the Village on June 8, 2006, providing for the issuance of the bonds, and (iv) a trust indenture dated as of June 1, 2006, between the Village of Lakemoor and J.P. Morgan Trust Company, National Association Chicago, Illinois.

The special service area is located in Lakemoor, Illinois, and consists of 272.5 acres of land located on the north side of Illinois Route 120 at the intersection with Darrell Road. The project is on the county line between Lake and McHenry Counties and is located in both counties. Principal access to the project is by means of Illinois Route 120 and Route 31. Route 31 is located four miles west of the project. Route 12 is located approximately two miles east of the project. Lakemoor is approximately 50 miles northwest of downtown Chicago and 40 miles northwest of O'Hare International Airport.

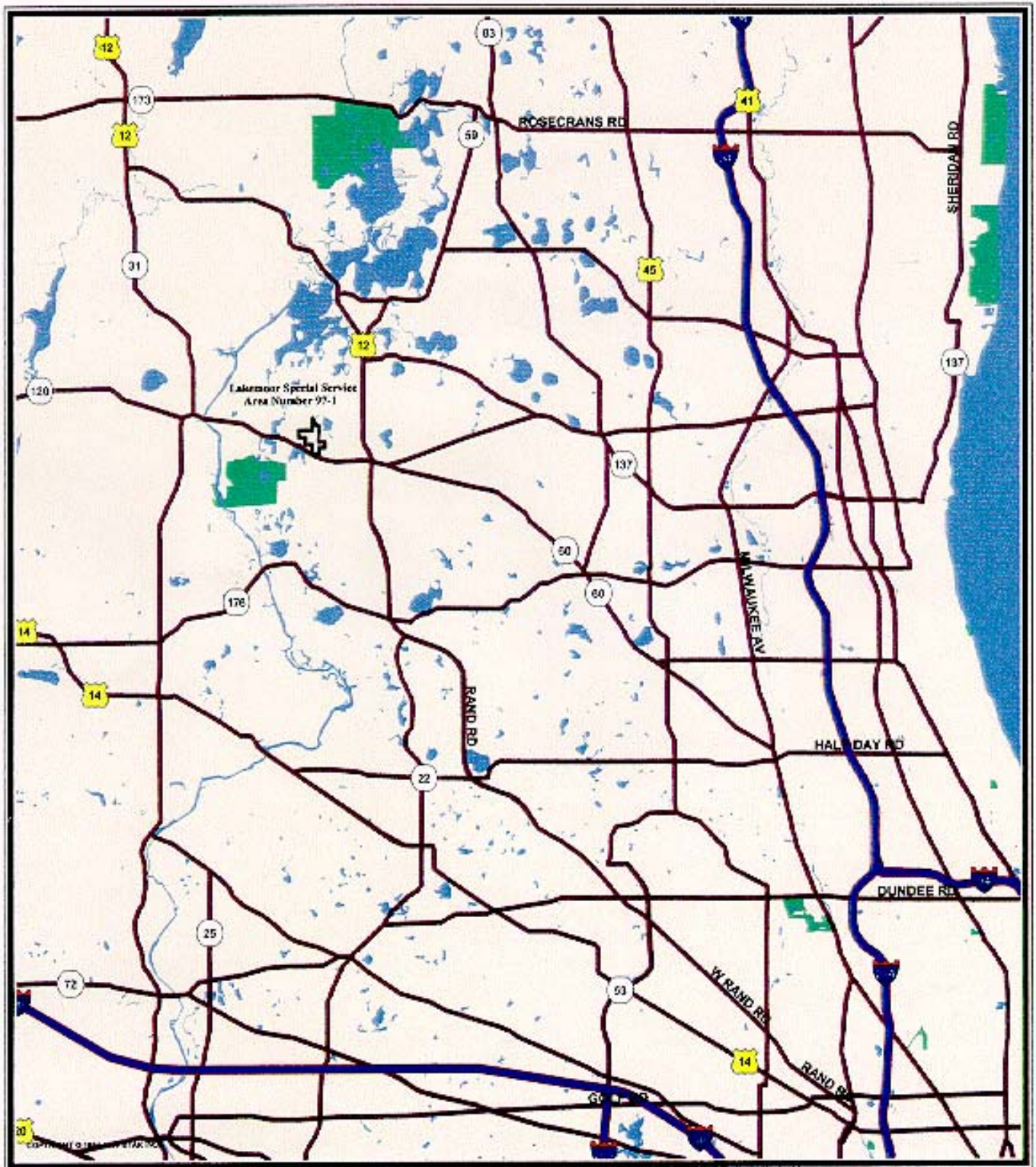
The property in the special service area was developed by Burnside's Lakemoor Farms, LLC (the "Developer"), which is an affiliate of Burnside Construction Company. The Developer and William Ryan Homes, Inc. have completed building all homes under their respective contracts in the special service area and Neumann Homes continues to build homes in the special service area.

Upon completion, the special service area is expected to include 715 homes. The property these homes are being built on is the taxable property in the special service area. The bonds are payable solely from special taxes levied on taxable property within the special service area. According to the limited offering memorandum, the market consultant has projected sales potential of approximately 200 units per year with two builders selling homes in the project, assuming all product types are being sold at the same time, which will not always be the case. The Developer originally expected the project to be completed in about 2004.

Pursuant to the Limited Offering Memorandum, \$9,000,000 in Special Tax Refunding Bonds (Series 2006) were sold and used to refund and defease the \$9,000,000 in Special Tax Bonds (Series 1997). Series 1997 bond proceeds in the amount of \$6,298,000 were used to construct the public improvements, consisting of roads, water and sewer improvements, and a park to serve the property within the special service area (this figure excludes interest earnings on the improvement fund, which will also be used to fund public improvements).

The information in this report on development activity and significant events was provided by the Developer, William Ryan Homes and Neumann Homes, and is believed to be accurate; however, no effort has been made to independently verify the information.

# Lakemoor Area Map



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

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The property in the special service area was developed by Burnside's Lakemoor Farms, LLC, which is an affiliate of Burnside Construction Company. Burnside and William Ryan Homes, Inc. have completed building all homes under their respective contracts in the special service area. Neumann Homes continues to build homes in the special service area. At completion, the project will include 344 single-family detached homes, 102 duplexes, 269 multi-family town homes, and 1.93 acres of commercial use. The total number of units is expected to equal 715 homes.

The site plan for the project is shown on the following page. The single-family units were built in sections 5, 6, 9, 10, and 11. The duplex units were built in section 7. The courtyard town home units are being built in section 12. The commercial property is between Route 120 and section 4, west of Darrell Road.

Ryan Homes built the single-family homes in Sections 5 and 9 and five homes in Section 4. Burnside built the duplex units in section 7, single-family homes in Sections 6, 10 and 11, and town homes in Section 12. Neumann Homes is building town homes in Section 12B.

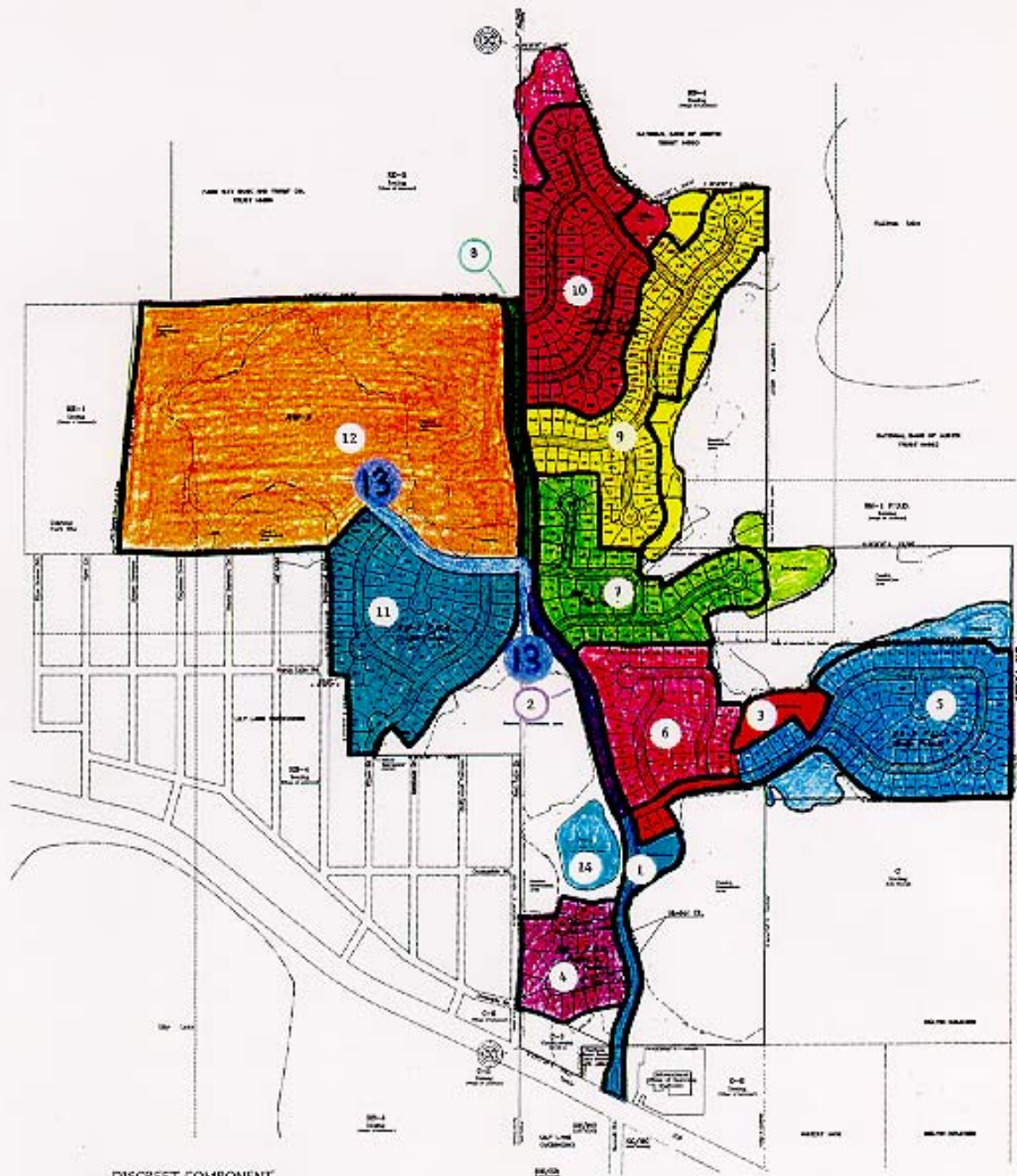
Section 9 was repartitioned and the resultant parcels were reduced from 73 to 70 lots.

#### **A. STATUS OF GOVERNMENTAL PERMITS**

The developer reports that all permits required for the construction of the project have been obtained except for the building permits and the permits to tap onto the sewer and water systems for the remaining townhouse units to be constructed by Neumann Homes.

Final plats for subdivision have been recorded for all sections. According to the developer, the Board of Directors of the Village of Lakemoor approved the plat of subdivision of the commercial property and the annexation of two parcels of commercial property totaling 1.71 acres into the village. These two parcels have been consolidated with the two existing commercial parcels totaling 1.93 acres within the special service area. The annexation of these parcels into the village has not, however, increased the acreage of the special service area and the additional acreage will not be subject to special taxes, as the county will create separate legal lots for the property within and outside the special service area.





**DISCREET COMPONENT**

- 1 = Darrell Road Section 1A
- 2 = Darrell Road Section 1A
- 3 = Darrell Road Section 1A
- 4 = Model Area Section 2
- 5 = Single Family East Section 4
- 6 = Single Family East Central Section 3B
- 7 = Duplex Area 3A Section 3A
- 8 = Darrell Road/North Section 13
- 9 = Single Family North Central Section 5
- 10 = Single Family North Area Section 6
- 11 = Single Family West of Darrell Section 7
- 12 = Multi-Family Townhomes Section 8
- 13 = Water Wells & Water Storage & Treatment
- 14 = Park

## B. STATUS OF CONSTRUCTION

As of December 31, 2005, the developer reports that construction of all of the public improvements for the special service area have been completed. The drainage issue raised by the village engineer, which was addressed by the Lake County Storm Water Management Department, required the developer to build a flex valve in lieu of easements for drainage on adjacent property for storm water being discharged on the Lakemoor Farms site. The developer reports that construction of the flex valve was completed in the first quarter of 2005.

As of December 31, 2005, the developer had completed construction on all single-family and townhouse units they had contracted to build. William Ryan Homes has also completed construction of all 150 units they had contracted to build. As of December 31, 2005, Neumann Homes had 21 of the planned 219 townhouse units under construction. Construction has been completed on the 580 homes closed to date.

## C. STATUS OF SALES

### (i.) Status of Contracts With Builders

As of December 31, 2005, the developer reports that all 715 lots have been sold to builders. According to the developer, five lots in Section 4, seventy-five lots in Section 5 and seventy lots in Section 9 were sold to William Ryan Homes. Burnside sold the first phase of the townhome parcel (Discreet Component 12B) consisting of 42 units and the second phase of the townhome parcel (the undeveloped balance of Discreet Component 12B) consisting of 177 units to Neumann Homes.

### (ii.) Status of Home Sales

Table III-1 below presents the home sales to date:

**Table III-1**

	<b><u>Sales This Quarter 2005</u></b>	<b><u>Sales To Date</u></b>	<b><u>Closings This Quarter 2005</u></b>	<b><u>Closings to Date</u></b>
Burnside	0	346	0	346
William Ryan	0	150	0	150
Neumann TH-1	0	42	0	42
Neumann TH-2	11	53	8	42
<b>Total</b>	<b>11</b>	<b>591</b>	<b>8</b>	<b>580</b>

Burnside and William Ryan Homes have sold all of their units under contract. All remaining units are being built and sold by Neumann Homes.



**(iii.) Status of Commercial Property Sales**

According to the developer, final engineering for the commercial property, which will be composed of the proposed consolidation of the four commercial parcels totaling 3.64 acres described above, is complete and was approved by the county in October 2003. The developer reports that the commercial property was sold to Northern Lights Holding Company, LLC on June 16, 2004. Northern Lights Holding Company, LLC reports that the commercial property was sold to Lake Cook Property Management in June 2006. As a result, the developer no longer owns any property within the special service area. The owner of the commercial property submitted a site plan consisting of a 26,500 square foot retail and small shop space, which was approved by the village. The owner of the commercial property, Lake Cook Property Management, reports that construction on the 26,500 square foot retail and small shop space is complete. The owner also reports that leases have been signed with a Pizzeria for 3,000 square feet, a 7-11 Convenience Store for 2,500 square feet, a Hair Salon for 1,750 square feet, a Tanning Salon for 1,100 square feet, a Karate Studio for 1,700 square feet and a Dry Cleaner for 1,500 square feet. The owner reports that the Hair Salon, Tanning Salon and Karate Studio opened for business in the second quarter of 2005. The owner reports that the Pizzeria and the Convenience Store completed tenant buildout and opened in the fourth quarter of 2005. The commercial property owner reports no new leases have been signed since the prior quarter.

**D. STATUS OF FINANCING**

**(i.) Cole Taylor Bank**

The developer reports that the construction loan with Cole Taylor Bank was repaid on June 16, 2004.

The developer reports that release of the remaining letter of credit in the amount of \$100,000.00, which was issued by Cole Taylor Bank for the benefit of the Village representing a retention amount for the completion of the public improvements, is pending written release from the village.

**(ii.) Series 1997 Bonds**

The construction funded from the Series 1997 bond proceeds as of December 31, 2005 are \$6,533,322.00. Table III-2 shows the budget, as of December 31, 2005, for the bond issue and the proceeds funded to date by line item. The current budget shows an additional \$119,999.00 in accrued interest that was spent on the public improvements for North Central Section 5.

The balance in the Improvement Fund as of December 31, 2005 was \$20,631.35. On June 28, 2006, \$21,023.53 was transferred from the Improvement Fund to the Series 2006 Escrow Account. These funds will be used to redeem principal and pay interest on the Series 2006 Bonds on September 1, 2006.

**Table III-2  
Public Improvement Budget**

<u>Description</u>	<u>Component</u>	<u>Original Budget</u>	<u>Current Budget</u>	<u>Cumulative Disbursements Last Quarter</u>	<u>Cumulative Disbursements This Quarter</u>
South Darrell Road	1	\$829,987	\$651,259	\$651,259	\$651,259
Darrell Road Section 1A	2	\$499,856	\$464,600	\$464,600	\$464,600
Road C	3	\$191,252	\$143,209	\$143,209	\$143,209
Section 4 (model area)	4	\$277,067	\$210,894	\$210,894	\$210,894
Section 6	6	\$487,498	\$412,365	\$412,365	\$412,365
Section 7	7	\$519,159	\$469,291	\$469,291	\$469,291
North Darrell Road	8	\$457,341	\$314,921	\$314,921	\$314,921
Section 11a	11	\$0	\$319,121	\$319,121	\$319,121
Section 12a	12	\$0	\$324,618	\$324,618	\$324,618
Water system and sanitary sewer	13	\$2,386,460	\$2,101,651	\$2,101,651	\$2,101,651
Park	14	\$524,702	\$524,702	\$524,702	\$524,702
Engineering	NA	\$240,000	\$239,672	\$239,672	\$239,672
North Central Section 5	9	\$0	\$357,019	\$357,019	\$357,019
<b>Subtotal</b>		<b>\$6,413,322</b>	<b>\$6,533,322</b>	<b>\$6,533,322</b>	<b>\$6,533,322</b>
Interest income held in construction fund to be transferred to pay interest on the bonds			\$20,101		
<b>Total</b>			<b>\$6,553,428</b>		<b>\$6,533,322</b>

## **E. GENERAL DEVELOPMENT ISSUES**

### **(iii.) Buildable Lots**

The Village certified an additional 171 buildable lots on March 25, 2004, which resulted in \$685,606.97.00 and \$70,500.00 being transferred from the retained proceeds account to the improvement and reserve funds, respectively. As of December 31, 2005, there have been 715 buildable lots certified by the village engineer, which comprises all of the units to be constructed within the special service area. All funds have been transferred from the retained proceeds account.

### **(iv.) Changes in the Development Plan**

There have been two significant changes in the plan for development of the project. Section 9 was repartitioned and the resultant parcels were reduced from 73 to 70 lots. The number of town home units to be built in Section 12 was originally estimated between 210 and 340 units. This estimate has been refined and the best current estimate is now 269 town home units, resulting in a total of 715 units in the special service area. Prior total estimates ranged from 659 to 789 units.

### **(v.) Budget Changes**

The budget has been revised twice to reflect savings in a number of line items. The savings have been transferred to discreet component 11A and 12A, which consists of public improvements in Section 11A and 12A.

#### ***IV. TRUSTEE ACCOUNTS***

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The trustee for the Series 1997 bonds is J.P. Morgan Trust Company (formerly American National Bank and Trust Company of Chicago). The trustee accounts will be updated with 2006 Bond information when the 2006 Bond account statements are received. The balance as of December 31, 2004, interest paid, disbursements, special tax collections and additional proceeds, and account balances for each fund as of December 31, 2005 are shown by the following table:

**Table IV-1**  
**Account Balances**

	<b>12/31/04 Balance</b>	<b>Interest Paid</b>	<b>Additional Proceeds</b>	<b>Disbursements</b>	<b>12/31/05 Balance</b>
Retained Proceeds	\$13	\$0	\$0	\$13	(\$0)
Reserve Fund	\$1,044,398	\$43,891	\$0	\$199,910	\$888,380
Administrative Expense	(\$0)	\$0	\$26,093	\$26,093	\$0
Improvement Fund	\$20,150	\$519	\$13	\$51	\$20,631
Special Tax Fund	\$659,101	\$12,719	\$733,533	\$802,331	\$603,022
Bond Fund	\$0	\$890	\$957,420	\$759,255	\$199,055
Special Redemption Fund	\$25,466	\$518	\$0	\$0	\$25,983
Total	\$1,749,127	\$58,537	\$1,717,060	\$1,787,652	\$1,737,072

The disbursements from the special tax fund are to the bond fund for the payment of debt service. The additional proceeds to administrative expense fund are transfers from the special tax fund to pay administrative expenses. The additional proceeds to the special tax fund are special tax collections transferred from the counties. The additional proceeds to the bond fund include transfers from the special tax and reserve funds to pay debt service. The December 31, 2004 balance on the special redemption fund is for the prepayments of the special tax. The disbursements from the improvement fund were for cash management fees.

The interest paid through December 31, 2005 may not include interest accrued but not yet paid. Proceeds in the reserve fund are invested in a First Union Repurchase Agreement (REPO) that pays interest semi-annually and matures on July 7, 2007. Table IV-2 shows the rate of return on the funds and accounts held by the trustee.

Investment income on the administrative expenses fund will remain in the fund and be used for the purposes of this account. Investment income in the reserve fund will be made available, first, to replenish the reserve fund, if the balance in the fund is at less than the reserve requirement; and second, applied to the payment of debt service. Any remaining funds in the improvement fund after the completion of construction will be used for the payment of debt service.

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

<b>Account</b>	<b>Rate of Return</b>
Special redemption fund	3.73%
Reserve fund	5.50%
Bond fund	2.05%
Special tax fund	3.67%
Improvement fund	3.50%



## V. DISTRICT OPERATIONS

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### A. SPECIAL TAX REQUIREMENT

A special tax is to be imposed each year within the Village of Lakemoor Special Service Area Number 97-1 in an amount sufficient to fund the "Special Tax Requirement." The special tax requirement, generally, is equal to (i) annual debt service and administrative expenses, less (ii) investment income and available capitalized interest.

Special taxes are collected at the end of September in the year after special taxes are levied and made available to the village some time after they are collected (possibly as late as December). For example, special taxes levied in December 2005 would be collected by September 30, 2006, and made available to the village between October and December 2006. The first payments on the bonds these special taxes could be applied to would be the payments due on March 1, 2007 and September 1, 2007. Accordingly, the special tax requirement for the special tax levied in December 2005 is based on payments due on the bonds in 2007. Administrative expenses for a particular year can be paid from special taxes collected in that year; accordingly, the special tax requirement for 2005 includes administrative expenses for 2006.

Table V-1 provides a summary of the special tax requirement for calendar year 2005 (*i.e.*, special taxes collected in 2006). The expenses of the special service area are expected to exceed the available revenues, excluding special taxes, by \$790,000. An explanation of the estimated expenses and revenues follow.

**Table V-1**  
**2005 Special Tax Requirement**

Debt service:	
Interest Payment, March 2007	\$337,350
Interest Payment, September 2007	\$333,255
Principal Payment, March 2007	\$105,000
Total Debt Service	\$775,605
Administrative Expenses	\$31,212
Contingency	\$94,953
Sub-total expenses	\$901,770
Reserve fund investment income	(\$42,612)
Surplus from prior year	(\$69,158)
Special tax requirement for 2005	\$790,000

#### (i.) Debt Service

Debt service includes the payments due on March 1 and September 1, 2007. The interest payment due on March 1, 2007 is equal to \$337,350.00 and the interest payment due on September 1, 2007 is equal to \$333,255.00. The principal payment due March 1, 2007 is \$105,000.00, resulting in total debt service in 2007 of \$775,605.00.

**(ii.) Administrative Expenses**

Administration expenses generally include the trustee, the administrator, and the expenses of the village not paid directly by the developer. The annual charge of the trustee is estimated to be \$4,080.00. The cost of the administrator for 2006 is estimated to be \$13,260.00. The expenses of the village not paid directly by the developer are estimated to be \$13,260.00. Increasing these amounts by two percent, total administration expenses for 2006 are estimated at \$31,212.00.

**(iii.) Contingency**

A contingency, equal to approximately ten percent of expenses and an additional amount to round the special tax requirement to the nearest ten-thousand, has been added in the event there are tax delinquencies, unanticipated expenses, or investment income is less than estimated.

**(iv.) Reserve Fund Investment Income**

As of October 31, 2005, the reserve fund balance was \$1,084,737.71, which includes the original deposit of \$600,000.00, investment income posted to the account in the amount of \$184,737.71 and transfers from the retained proceeds account in the amount of \$300,000.00. The current reserve requirement (including only the funds in the reserve fund) is \$900,000.00. Of this amount, \$597,030.00 is invested in a First Union Guaranteed Investment Contract (GIC) earning 5.5% and maturing on July 2, 2007. Interest is paid semi-annually on the GIC investment in July and January. The balance of \$302,970.00 is invested in a money market fund currently earning 3.13% per annum. It is anticipated that the bonds will be refunded and that refunded bond proceeds equal to \$946,940.00 will be deposited into the reserve fund and reinvested in a GIC/REPO at an interest rate of 4.50 percent per annum. As a result, annual investment income on the reserve fund, which will be made available to pay debt service in 2007, is based on the refunded bonds and is estimated to be \$42,612.30.

**(vi.) Surplus From Prior Year**

The estimated surplus from the prior year that may be applied to pay debt service and administrative expenses for calendar year 2005 is shown in Table V-2. Special taxes were levied in 2004 for collection in 2005 in the amount of \$750,121.60. Special taxes were due on June 13<sup>th</sup> and September 15<sup>th</sup>, 2005. McHenry County was to collect \$240,491.66 in special taxes and Lake County was to collect \$509,629.94 in special taxes. As of November 23, 2005, the McHenry County Treasurer has reported collecting and transferring \$222,024.28 in special taxes. The delinquent balance of \$18,467.38 was to be collected at tax sale on November 7, 2005 and the final distribution of special taxes will be transferred to the trustee in January 2006.

As of November 23, 2005, Lake County has reported collecting and transferring \$504,230.08 in special taxes of which \$488,813.26 had been transferred prior to October 31, 2005. Lake County transferred the balance of \$15,416.82 in November 2005. The delinquent balance of \$5,399.86 will be collected at tax sale on December 5<sup>th</sup>, 2005 and the final distribution of special taxes will be transferred to the trustee in January 2006. The delinquent balances for each county are not included in the calculation of the surplus.

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

Account balances available:	
Reserve Fund	\$227,350
Special tax fund at Oct. 31, 2005	\$611,708
Special taxes transferred on Nov. 2005	\$15,417
Credit for special taxes owed	(\$2,622)
Sub-total available funds	\$851,903
Debt service 2006	(\$763,015)
Administrative expenses	(\$19,730)
Surplus from prior year	\$69,158

Account balances and investment income estimated to be available for debt service include \$227,350.01 in the reserve fund (*i.e.*, the current surplus of \$184,737.71 plus reserve fund investment income of \$21,306.15 each six months), \$49.56 in the bond fund and \$611,707.68 in the special tax fund.

As of October 31, 2005, the balance in the administrative expense fund was zero. The annual administrative expense budget for the village was \$30,600.00 for calendar year 2004. As of October 31, 2005, administrative expenses totaling \$10,870.47 had been paid. As a result, a balance of \$19,729.53 (\$30,600.00 – \$10,870.47) in administrative expenses will have to be funded in calendar year 2005.

Subtracting out the credit for special taxes owed results in aggregate available funds of \$851,902.44. Debt service due on March 1, 2006 and September 1, 2006 is equal to \$763,015.00 and unpaid administrative expenses equal \$19,729.53, resulting in an estimated surplus of \$69,157.91 that may be applied to pay debt service and administrative expenses for calendar year 2005.

**(vii.) Summary**

The estimated expenses of the SSA for calendar year 2005 are \$901,770.00. The available funds are equal to \$111,770.00, resulting in a special tax requirement of \$790,000.00 for calendar year 2005. The amended special tax roll also reflects the remaining credits owed on four parcels consisting of six townhouse units in Discreet Component 12a that were misclassified as developed and taxed at the developed rate of \$1,090.11 per unit in calendar year 2002. These credits, equal to \$2,621.63, could not be applied to special taxes levied in calendar year 2004 because the special tax levied on each parcel was less than the credit due. Credits of \$131.85 per unit have been applied to three of the four parcels, consisting of three individual townhouse units that have been classified as developed property for calendar year 2005. A partial credit of \$51.24 will be applied to the

remaining parcel consisting of three townhouse units that have been classified as undeveloped property for calendar year 2005. The balance of the credits due, equal to \$2,174.84 will be applied to the remaining parcel consisting of three townhouse units for the calendar year 2006 special tax roll. As a result, the calendar year 2005 special tax on these three units is zero.

As required by McHenry County's tax billing service, the per unit special tax levied on single-family property will be increased to round the per unit special tax to the nearest even cent, which will result in a special tax of \$1,446.86 per single-family unit and aggregate special taxes levied of \$789,554.15 for calendar year 2005.

## **B. DELINQUENT SPECIAL TAXES**

There are no delinquent special taxes for calendar years 1998 through 2004. Special taxes in the amount of \$789,554.15 have been levied in 2005 to be collected in two equal installments of \$394,777.08 in June and September of 2006. As of July 6, 2006, Lake and McHenry Counties have reported collecting and transferring to the trustee \$378,021.44, representing 95.8 percent of the special taxes due. First half special taxes due from Lake County were \$262,477.84. As of July 5, 2006, Lake County had reported collecting \$254,108.41. As a result, \$8,369.43 in first half calendar year 2005 special taxes remains outstanding for Lake County. First half special taxes due from McHenry County were \$132,229.24. As of July 6, 2006, McHenry County had reported collecting \$123,913.03. As a result, \$8,386.21 in first half calendar year 2005 special taxes remains outstanding for McHenry County.

## **C. COLLECTION EFFORTS**

There are no delinquent special taxes for calendar years 1998 through 2004. As of July 5, 2006, \$8,369.43 in first half calendar year 2005 special taxes remains outstanding for Lake County. As of July 6, 2006, \$8,386.21 in first half calendar year 2005 special taxes remains outstanding for McHenry County. According to Lake and McHenry Counties, the uncollected balance of the first half installment of the calendar year 2005 special taxes will be collected with the second half installment due in September 2006.

## ***VI. DISTRICT FINANCIAL INFORMATION***

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### **A. BONDS OUTSTANDING AND RESERVE FUND**

The amount of bonds outstanding is currently \$8,735,000. As of December 31, 2005, the balance in the reserve fund was \$888,379.63. This includes the original deposit of \$600,000.00 plus interest of \$318,598.55 and transfers of \$300,000.00 from the retained proceeds account as a result of the certification of 477 lots and disbursements of \$330,218.92.

### **B. PROPERTY BY OWNERSHIP AND CLASSIFICATION**

The following table shows property in the district by ownership and classification (developed or undeveloped):

	<u>Total Units</u>	<u>Developed</u>	<u>Undeveloped</u>
Burnside's Lakemoor Farms	0	0	0
Neumann Homes	135	21	114
William Ryan Homes	0	0	0
Individual home owners	580	580	0
<b>Total</b>	<b>715</b>	<b>601</b>	<b>114</b>

Developed property is determined pursuant to the definition for levying special taxes: property for which a building permit has been issued. The improvements have been completed for a total of 715 lots. There have been 591 homes sold with 580 closings as of December 31, 2005.

### **C. SPECIAL TAXES PAID BY OWNER AND CLASSIFICATION**

The following table shows the special taxes to be paid by property owner and by class of property (developed or undeveloped) for calendar year 2005 (due in 2006):

	<u>Developed</u>	<u>Undeveloped</u>	<u>Total</u>	<u>Percent</u>
Burnside's Lakemoor Farms, LLC	\$0	\$0	\$0	<b>0.00%</b>
Northern Lights Holding Company, LLC	\$6,182	\$0	\$6,182	<b>0.78%</b>
Neumann Homes	\$11,832	\$2,050	\$13,882	<b>1.76%</b>
William Ryan Homes	\$0	\$0	\$0	<b>0.00%</b>
Individual home owners	\$767,835	\$0	\$767,835	<b>97.45%</b>
<b>Total</b>	<b>\$785,849</b> <b>99.74%</b>	<b>\$2,050</b> <b>00.26%</b>	<b>\$787,899</b> <b>100%</b>	<b>100%</b>

These numbers are based on the classification of property at the time special taxes were levied. Since that time, there may have been additional developed units and additional property sold by Burnside, Neumann and Ryan, reducing their special tax liability.



#### **D. INTEREST LETTER OF CREDIT**

The developer reports that the \$100,000.00 letter of credit issued by Cole Taylor Bank on behalf of the trustee to secure interest payments under the provision of the trust indenture was cancelled on July 14, 2004.

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

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Significant events generally include the following:

- (i) failure to pay any real property taxes (including the special taxes) levied within the special service area on a parcel owned by the Developer or any affiliate;
- (ii) material damage to or destruction of any development or improvements within the district;
- (iii) material default by the Developer or any affiliate on any loan with respect to the construction financing for the development of the project;
- (iv) material default by the Developer or any affiliate on any loan secured by property within the special service area owned by the Developer or any affiliate;
- (v) payment default by the Developer of any loan to the Developer (whether or not such loan is secured by property within the special service area);
- (vi) the filing of the Developer or any affiliate, members, or owners of the Developer of bankruptcy or a determination that any of these entities is unable to pay its debts as they become due; and
- (vii) the filing of any lawsuit with claim for damage in excess of \$1,000,000 against the Developer which may adversely affect the completion of the development of the project or litigation which would materially adversely affect the financial conditions of the Developer.

Inquiries have been made to the Developer regarding the occurrence of any significant event and the Developer has reported that no significant events have occurred.