

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Quarter Ending December 31, 2004

*\$9,000,000 Village of Lakemoor, Illinois
Special Tax Bonds, Series 1997
(Lakemoor Special Service Area Number 97-1)*

Prepared by

MUNICAP, INC.

March 14, 2005

**DEVELOPMENT ACTIVITY AND
DISCLOSURE REPORT**
For the Quarter Ending December 31, 2004

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I. UPDATED INFORMATION

Information updated in this report for the period ending December 31, 2004 is as follows:

- The developer reports that the closure of the drainage issue raised by the village engineer has been addressed by the Lake County Storm Water Management Department. A determination was made by the Lake County Storm Water Management Department rejecting the substitution of easements for drainage on adjacent property for storm water being discharged on the Lakemoor Farms site. In lieu of the easements, the developer has been required to build a box culvert. The developer reports that construction of the box culvert has begun but that they are waiting on the arrival of a custom ordered part. The developer anticipates that construction will be completed in March of 2005.
- According to Neumann Homes, 16 townhouse units are under construction.
- Home sales through December 31, 2004 were 561 compared to 550 in the previous quarter. Closings on homes through December 31, 2004 were 546 compared to 535 in the previous quarter .
- The owner of the commercial property, Northern Lights Holding Company, LLC, reports that construction on the 26,500 square foot retail and small shop space is continuing and anticipates that construction will be complete in May 2005. The owner also reports that a lease has been signed for a Pizzeria for 3,000 square feet and that negotiations with other potential tenants are continuing.
- The release of an additional letter of credit in the amount of \$100,000, 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 the resolution of the drainage issue.
- Equity invested by the developer in the project as of December 31, 2004 was zero and had not changed since the prior reporting period.
- As of December 31, 2004, bond proceeds advanced for construction were \$6,533,322 and had not changed since the prior reporting period.
- Total construction funded from bond proceeds to date is \$6,533,322 and had not changed since the prior reporting period.
- As of December 31, 2004, developed property included 553 homes (77.3% of the total) and has not changed since the prior reporting period.

II. INTRODUCTION

Lakemoor Special Service Area Number 97-1 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 Bank One, National Association (formerly American National Bank and Trust Company of 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 bonds (Series 1997) were sold. Bond proceeds in the amount of \$6,298,000 are to be used to construct 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).

Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is not required for the bonds. However, development activity and disclosure reports are being provided on a voluntary basis. These reports are not provided pursuant to Rule 15c2-12.

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.

III. DEVELOPMENT ACTIVITY

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.

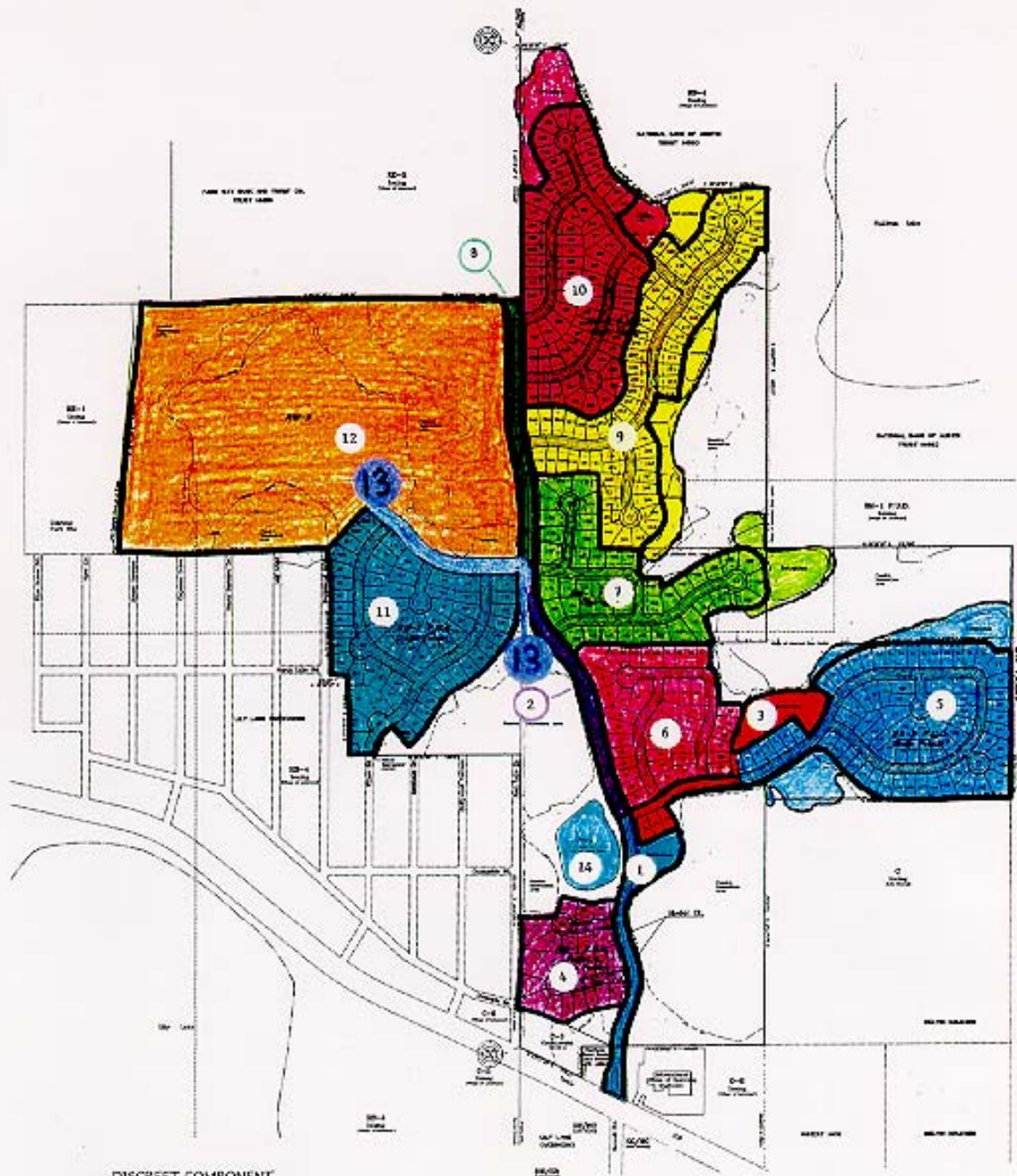
Ryan Homes built the single-family homes in Sections 5 and 9 and five homes in Section 4. Burnside built the duplex units in section 7, single-family homes in Sections 6, 10 and 11, and town homes in Section 12. Neumann Homes is building town homes in Section 12B.

Section 9 was recently 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 1B
- 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, 2004, the developer reports that construction of all of the public improvements for the special service area have been completed except for the closure of the drainage issue raised by the village engineer, which has been addressed by the Lake County Storm Water Management Department. In lieu of easements for drainage on adjacent property for storm water being discharged on the Lakemoor Farms site, the Lake County Storm Water Management Department has determined that the developer will need to build a box culvert. The developer reports that construction of the box culvert has begun but that they are waiting on the arrival of a custom ordered part. The developer anticipates that construction will be completed in March of 2005.

As of December 31, 2004, 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, 2004, Neumann Homes had 18 of the planned 219 townhouse units under construction. Construction has been completed on the 535 homes closed to date.

C. STATUS OF SALES

(i.) Status of Contracts With Builders

As of December 31, 2004, 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 A below presents the home sales to date:

	<u>Sales This Quarter 2004</u>	<u>Sales To Date</u>	<u>Closings This Quarter 2004</u>	<u>Closings to Date</u>
Burnside	0	346	0	346
William Ryan	0	150	0	150
Neumann TH-1	14	65	11	50
Neumann TH-2	0	0	0	0
Total	14	561	11	546

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. As a result, the developer no longer owns any property within the special service area. The owner of the commercial property has submitted a site plan consisting of a 26,500 square feet retail and small shop space, which has been approved by the village. The owner reports that construction has begun and anticipates that construction will be complete in May 2005. The owner also reports that a lease has been signed for a Pizzeria for 3,000 square feet and that negotiations with other potential tenants are continuing.

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, 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 the resolution of the drainage issue.

(ii.) Developer's Equity

As of December 31, 2004, total equity invested by the developer was zero.

(iii.) Series 1997 Bonds

The construction proceeds funded from the bonds as of December 31, 2004 are \$6,533,322. Table B shows the budget, as of December 31, 2004, for the bond issue and the proceeds funded to date by line item. The current budget shows an additional \$119,999 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, 2004 was \$20,150. The developer reports that the final draw request has been submitted. Upon the receipt of a Certificate of Completion, the remaining balance in the improvement fund will be transferred to the bond fund to pay interest on the bonds.

Table B

<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		\$357,019	\$357,019	\$357,019
Subtotal		\$6,413,322	\$6,533,322	\$6,533,322	\$6,533,322
Interest income held in construction fund to be transferred to pay interest on the bonds			\$20,101		
Total			\$6,553,428		\$6,533,322

E. GENERAL DEVELOPMENT ISSUES

(iv.) Buildable Lots

The Village certified an additional 171 buildable lots on March 25, 2004, which resulted in \$685,606.97 and \$70,500.00 being transferred from the retained proceeds account to the improvement and reserve funds, respectively. As of December 31, 2004, 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.

(v.) Changes in the Development Plan

There have been two significant changes in the plan for development of the project, which has already been discussed in this report. 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.

(vi.) 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

The trustee for the Series 1997 bonds is Bank One (formerly American National Bank and Trust Company of Chicago). The balance as of December 31, 2003, interest paid, disbursements, special tax collections and additional proceeds, and account balances for each fund as of December 31, 2004 are shown by the following table:

Table C

	12/31/03 Balance	Interest Paid	Additional Proceeds	Disbursements	12/31/04 Balance
Retained Proceeds	\$754,862	\$2,209	\$0	\$757,057	\$13
Reserve Fund	\$955,040	\$36,400	\$70,500	\$196,948	\$864,992
Administrative Expense	\$0	\$0	\$23,067	\$23,067	\$0
Improvement Fund	\$18,541	\$505	\$685,607	\$684,504	\$20,150
Special Tax Fund	\$646,516	\$4,329	\$782,765	\$774,510	\$659,101
Bond Fund	\$0	\$0	\$928,926	\$749,520	\$179,406
Special Redemption Fund	\$12,673	\$194	\$13,988	\$1,391	\$25,466
Total	\$2,387,633	\$43,638	\$2,504,853	\$3,186,997	\$1,749,127

The disbursements from the retained proceeds account, reserve fund and improvement fund are for cash management charges. 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, 2003 balance and the additional proceeds transferred to the special redemption fund are for the prepayments of the special tax. The disbursements from the retained proceeds account were transfers to the improvement and reserve fund after the village certified an additional 171 lots. The disbursements from the improvement fund were for the costs of constructing the public improvements.

The interest paid through December 31, 2004 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. The table below 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.

Withdrawals may be made from the retained proceeds fund if the number of buildable lots exceeds 238 and the number of buildable units sold to home buyers exceeds 100. A buildable lot is a lot that has been rough graded; is served by operational water, sewer, storm drainage, and other utilities that extend to the boundary of the lot; and is adjacent to a street that has been platted, constructed (including the rough coat), and will be dedicated to a public entity. The amount that may be with drawn from the retained proceeds fund is \$5,962.50 to the improvement fund and \$750.00 to the reserve fund for each buildable lot that meets the criteria explained above in excess of 238.

The Village certified an additional 171 buildable lots on March 25, 2004, which resulted in \$685,606.97 and \$70,500.00 being transferred from the retained proceeds account to the improvement and reserve funds, respectively. Total disbursements from the retained proceeds account equal \$2,810,104, which included \$2,510,104 to the improvement fund and \$300,000 to the reserve fund.

Table D
Rate of Return

Account	Rate of Return
Special redemption fund	1.60%
Reserve fund	5.50%
Bond fund	1.60%
Special tax fund	1.60%
Improvement fund	1.60%

V. DISTRICT OPERATIONS

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 2004 would be collected by September 30, 2005, and made available to the village between October and December 2005. The first payments on the bonds these special taxes could be applied to would be the payments due on March 1, 2006 and September 1, 2006. Accordingly, the special tax requirement for the special tax levied in December 2004 is based on payments due on the bonds in 2006. Administrative expenses for a particular year can be paid from special taxes collected in that year; accordingly, the special tax requirement for 2004 includes administrative expenses for 2005.

Table E provides a summary of the special tax requirement for calendar year 2004 (*i.e.*, special taxes collected in 2005). The expenses of the special service area are expected to exceed the available revenues, excluding special taxes, by \$760,000. An explanation of the estimated expenses and revenues follow.

Table E
2004 Special Tax Requirement

Debt service:	
Interest Payment, March 2006	\$340,665
Interest Payment, September 2006	\$337,350
Principal Payment, March 2006	\$85,000
Total Debt Service	\$763,015
Administrative Expenses	\$30,600
Contingency	\$40,759
Sub-total expenses	\$834,374
Reserve fund investment income	(\$35,696)
Surplus from prior year	(\$38,678)
Special tax requirement for 2004	\$760,000

(i.) Debt Service

Debt service includes the payments due on March 1 and September 1, 2006. The interest payment due on March 1, 2006 is equal to \$340,665.00 and the interest payment due on September 1, 2006 is equal to \$337,350.00. The principal payment due March 1, 2006 is \$85,000.00, resulting in total debt service in 2006 of \$763,015.00.

(ii.) Administrative Expenses

Administrative expenses generally include 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 \$4,000. The cost of the administrator for 2005 is estimated to be \$13,000. The expenses of the village not paid directly by the developer are estimated to be \$13,000. Accordingly, the total administrative expenses for 2005 are estimated at \$30,600.

(iii.) Contingency

A contingency, equal to approximately five 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 if investment income is less than estimated.

(iv.) Reserve Fund Investment Income

As of October 31, 2004, the reserve fund balance was \$1,043,606.59, which includes the original deposit of \$600,000, investment income posted to the account in the amount of \$273,729.79, transfers from the retained proceeds account in the amount of \$300,000.00 and disbursements of \$128,197.93 to the bond payment account and \$1,925.27 for cash management fees. 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 \$232,470.00 is invested in a money market fund currently earning 1.23% per annum. As a result, aggregate annual investment income of \$35,696.03 (\$32,836.65 and \$2,859.38, respectively) is estimated to be made available to pay debt service in 2006.

(vii.) 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 2004 is shown in Table F. Special taxes were levied in 2003 for collection in 2004 in the amount of \$773,805.54. Special taxes were due on June 3rd and September 3rd, 2004. McHenry County was to collect \$269,918.67 in special taxes and Lake County was to collect \$503,886.87 in special taxes. As of November 30, 2004, the McHenry County Treasurer had reported collecting and transferring \$264,219.60 in special taxes. The delinquent balance of \$5,699.07 was to be sold at tax sale on November 15, 2004 and the final distribution of special taxes were to be transferred to the trustee in January 2005.

As of November 30, 2004, Lake County has reported collecting and transferring \$498,197.12 in special taxes. The delinquent balance of \$5,689.75 was to be sold at tax sale on December 6th and 7th, 2004 and the final distribution of special taxes were to be transferred to the trustee in January 2005. The delinquent balance is not included in the calculation of the surplus.

Table F
Surplus From Prior Year

Account balances available:	
Reserve Fund	\$161,455
Special tax fund at Oct. 31, 2004	\$539,448
Special taxes transferred on Nov. 2004	\$123,406
Credit for special taxes owed	(\$9,878)
Sub-total available funds	\$812,774
Debt service 2005	(\$756,135)
Administrative expenses	(\$19,618)
Surplus from prior year	\$38,678

Account balances and investment income estimated to be available for debt service include \$161,454.74 in the reserve fund (*i.e.*, the current surplus of \$143,606.59 plus reserve fund investment income of \$17,848.15 each six months), \$539,447.50 in the special tax fund and an additional \$123,406.45 in special taxes that were transferred to the trustee in November 2004.

As of October 31, 2004, the balance in the administrative expense fund was zero. The annual administrative expense budget for the village was \$30,690.00 for calendar year 2003. As of October 31, 2003, administrative expenses totaling \$11,072.15 had been paid. As a result, a balance of \$19,617.85 (\$30,690.00 – \$11,072.15) in administrative expenses will have to be funded in calendar year 2004.

Subtracting out the credit for special taxes owed results in aggregate available funds of \$814,430.51. Debt service due on March 1, 2005 and September 1, 2005 is equal to \$756,135.00 and unpaid administrative expenses equal \$19,617.85, resulting in an estimated surplus of \$38,677.66 that may be applied to pay debt service and administrative expenses for calendar year 2004.

B. DELINQUENT SPECIAL TAXES

There are no delinquent special taxes for calendar years 1998 through 2003.

C. COLLECTION EFFORTS

There are no delinquent special taxes for calendar years 1998 through 2002. As a result, there are no collection efforts underway at this time.

VI. DISTRICT FINANCIAL INFORMATION

A. BONDS OUTSTANDING AND RESERVE FUND

The amount of bonds outstanding is currently \$8,860,000. As of December 31, 2004, the balance in the reserve fund was \$864,992. This includes the original deposit of \$600,000 plus interest of \$274,708 and transfers of \$300,000 from the retained proceeds account as a result of the certification of 477 lots, less disbursements of \$306,511 to the bond fund to pay debt service and \$3,204 in cash management charges. (Due to a revaluation of the reserve fund, the trustee reduced the bond proceeds in the reserve fund to less than the reserve requirement by transferring excess interest income and an additional \$35,008 to the bond payment fund in December 2004. The trustee has been instructed to reverse this transaction so that the balance in the reserve fund is brought back up to \$900,000, which is equal to the reserve requirement.)

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	169	16	153
William Ryan Homes	0	0	0
Individual home owners	546	546	0
Total	715	562	153

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 561 homes sold with 546 closings as of December 31, 2004.

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 2004 (due in 2005):

	<u>Developed</u>	<u>Undeveloped</u>	<u>Total</u>	<u>%</u>
Burnside's Lakemoor Farms, LLC	\$0	\$0	\$0	0.00%
Northern Lights Holding Company, LLC	\$0	\$1,028	\$1,028	0.14%
Neumann Homes	\$20,415	\$30,008	\$50,423	6.63%
William Ryan Homes	\$0	\$0	\$0	0.00%
Individual home owners	\$708,549	\$0	\$708,549	93.2%
Total	\$728,964	\$31,036	\$760,000	100%
	95.92%	4.08%	100%	

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 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

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.