

ANNUAL CONTINUING DISCLOSURE REPORT

For the Period Ending June 30, 2004

*\$6,730,000 Frederick County, Maryland
Villages of Lake Linganore Community Development Authority
Special Obligation Bonds, Series 2001 A and B*

Prepared by

MUNICAP, INC.

September 8, 2004

ANNUAL CONTINUING DISCLOSURE REPORT
For the Period Ending June 30, 2004

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I. UPDATED INFORMATION

Information updated from the Annual Continuing Disclosure Report, dated August 4, 2003 is as follows:

- According to the engineer, the erosion and sediment control plans for the Villages of Coldstream, Balmoral and Meadows were approved by the Frederick County Soil and Conservation District (SCD). However, the Frederick County Department of Public Works Environmental Compliance Section (ECS) has indicated several issues regarding their ability to enforce the requirements on the plans as work progresses. Although SCD is the approving agency, ECS maintains authority to revoke approved plans in the event they feel the plans cannot be enforced or a reasonable bond amount set base on the information contained in the plans. Specifically, ECS has taken issue with suggested plan revisions that subjectively describe the required controls. ECS has called for graphic depictions on the plans that show the precise location and specific type of sediment controls. A meeting was held on May 3, 2004 between ECS, Division of Utilities and Solid Waste Management (DUSWM), and the engineer to discuss this issue. Based on this meeting, the engineer and ECS are continuing in attempts to resolve these issues. The erosion and sediment control plans for the Villages of Pinehurst and Nightingale have not been submitted for approval.
- The engineer has received the State/Federal Wetland Permit for the project. The permit will require modification to reflect design changes to previously designed plans for the Villages of Coldstream, Balmoral and Meadows, and to incorporate final design for the Villages of Pinehurst and Nightingale. It is anticipated that mitigation plans will be required for the Pinehurst and Nightingale Villages. If required, these detail mitigation plans will be prepared after further completion of the design, including resolution of all drainage outfalls.
- According to the engineer, final forest conservation plans have been submitted and approved by Frederick County Planning for the Villages of Coldstream, Balmoral, and Meadows. The forest conservation easement plat (consisting of approximately six acres in the Village of Pinehurst serving as mitigation for all Villages) has been completed and was submitted to LLA for recordation in September 2003. Upon completion of the design for the Villages of Pinehurst and Nightingale, the forest impact plans and calculations must be submitted to the county to confirm that the area set aside in the Village of Pinehurst is adequate.
- According to the engineer, a permit has been received by MDE Dam Safety Division for installing a new 12-inch water main across the embankment of Lake Merle on Eaglehead Drive for the Village of Balmoral. According to the engineer, the construction contract for this project has not yet been awarded.
- According to the engineer, water and sewer plans for the Villages of Coldstream, Balmoral, and Meadows are complete and have been submitted to the Division of Utilities and Solid Waste Management (DUSWM). A permit will be submitted when

water and sewer drawings are approved and signed by DUSWM. This is required for the construction of the Interceptor I force main and 18-inch gravity sewer that will replace the Esplanade. DUSWM has indicated approval of the water and sewer plans for the Villages of Coldstream, Balmoral, and Meadows. However, the engineer reports that plans will not be signed and a permit will not be issued prior to the resolution of issues regarding the erosion and sediment plans. The water and sewer plans for the Villages of Pinehurst and Nightingale are approximately 95% complete and are under review by DUSWM.

- According to the engineer, all of the original surveys and easement plats have been completed, including the location and surveys of underground utilities such as underground water, electric and telephone. The engineer reports that a few surveys of side and backyards, primarily in the Village of Pinehurst, remain to be changed due to the unwillingness of some residents to grant outflow easements. LLCS has indicated that several easements for drainage outfalls in the Village of Pinehurst will not be obtained. The engineer sent a letter to LLCS on May 18, 2004 that designated which easements were still outstanding and requesting the concurrence of LLCS in the redesign of the outfalls.
- According to the engineer, final road, ditch and culvert design for the Villages of Coldstream, Balmoral and Meadows has been completed and the project has been advertised for construction. According to the engineer, however, some revisions of the erosion and sediment plans will be required. The amount of work remaining with respect to these erosion and sediment control plan revisions is unknown, pending a response to a letter sent to the county on May 10, 2004. The design of the roadway and drainage improvements for the Villages of Pinehurst and Nightingale are approximately 85% complete, pending final county resolution of the erosion and sediment plan requirements and outfall design.
- According to the engineer, the final road plans include reduced pavement thickness requirements for certain roads within the Villages. The final design for this reduced typical section is: 2 inches surface course (hot mix asphalt), 2 inches base course (hot mix asphalt), and 4 inches reclaimed base.
- According to the engineer, the projected intersection with Boyer's Mill Road and Nightingale Court has been delayed due to excessive grades. The engineer has presented two alternate intersections with entrance roads. The engineer has been instructed by the LLCS to design both alternates and present both alternates on the bid documents. After obtaining bids, the residents of Nightingale will decide which alternate to construct. The roadway geometric design for two alternatives for the construction of the Boyer's Mill Road / Nightingale Court intersection has been prepared. The stormwater management design for these alternatives has not been completed. In accordance with the LLCS instructions, both alternatives will be included in the bid documents.
- According to the engineer, construction bids from American Infrastructure – MD, Inc for the combined roadway, drainage, water and sewer improvements for the Villages of Coldstream, Balmoral/Meadows were received in 2003. The County's

portion of these improvements, consisting of the water and sewer work, totaled \$10,207,904. The CDA's portion of these improvements, consisting of the roadway and stormwater management work, totaled \$1,594,668 and \$2,864,009 for the Villages of Coldstream and Balmoral/Meadows, respectively. The engineer reports that the bid is significantly higher than the budget amount for this portion of the project. As a result, the County and LLCS are evaluating whether to re-advertise the work. The LLCS is also working through the County to apply for additional funds from MDE's revolving loan fund. LLCS reports that on August 11, 2004, the Maryland State Board of Public Works included the public work improvements for this portion of the CDA in its list for funds. The engineer reports that, if this portion of the contract is re-advertised, various alternatives allowing the contractor to bid on portions or all of the work will be included in the bid package.

- As of March 31, 2003, total bond proceeds expended for construction equaled \$825,830 or 14.3% of the budget for public improvements. According to the engineer, the budget has been revised to show significant savings in the anticipated costs of providing storm water management facilities for each of the villages. MDE has determined that the storm water management facilities were not required because the public reconstruction is considered maintenance. These savings were off set by significant increases in engineering, including construction engineering services.
- Special taxes totaling \$470,413.37 were to be levied and collected in fiscal year 2003-2004. As of May 21, 2004, Frederick County reported collecting and transferring \$467,949.69 in special taxes to the trustee to pay debt service and administrative expenses. According to the county, the balance due of \$2,466.68 was abated/adjusted. As a result, there are no delinquent special taxes for fiscal year 2003-2004 at this time. According to the county, the prior year delinquency of \$408.88 on one unit in the Meadows/Balmoral Village has been collected and transferred to the trustee. As a result, there are no delinquent special taxes for fiscal year 2002-2003 at this time.
- Special taxes totaling \$479,823.78 will be levied and collected in fiscal year 2004-2005.

II. INTRODUCTION

The Frederick County Maryland Special Obligation Bonds (Villages of Lake Linganore Community Development Authority) Series 2001A (Tax-Exempt) and Series 2001B (Taxable) Bonds are issued pursuant to Chapter 517 of the Laws of Maryland 1997 and an Indenture of Trust by and between the County Commissioners of Frederick County (the County) and Allfirst Trust Company, National Association (the Trustee), dated as of January 1, 2001.

The Villages of Lake Linganore Community Development Authority (the Authority) was created by Resolution Number 98-18, which was adopted by the Board of County Commissioners on August 18, 1998, and modified pursuant to Resolution 00-06 adopted on April 11, 2000. The property within the authority consists of approximately 3,700 acres including a 216-acre man-made lake, 800 acres of wooded parkland as well as swimming, golf and tennis facilities. The acreage within the development is composed of 1,142 lots and an additional 10.28 acres of land in Frederick County and is bounded on the north by Interstate 70 and the west by Maryland State Route 75. The authority is located in the New Market region of Frederick County, approximately five miles east of the City of Frederick, Maryland and is accessed from Maryland State Route 144 at Boyers Mill Road.

Lake Linganore was originally conceived in the 1960s. The property in the district is divided into five separate existing villages and includes 774 developed and 367 undeveloped lots—30 of which have been prepaid—and 10.28 acres of additional property that could be developed as either residential or commercial property.

The estimated number of homes and vacant lots within each village, excluding the 30 parcels for which the special tax has been prepaid, is given in the table below:

Table III-1
Lake Linganore Unit Summary

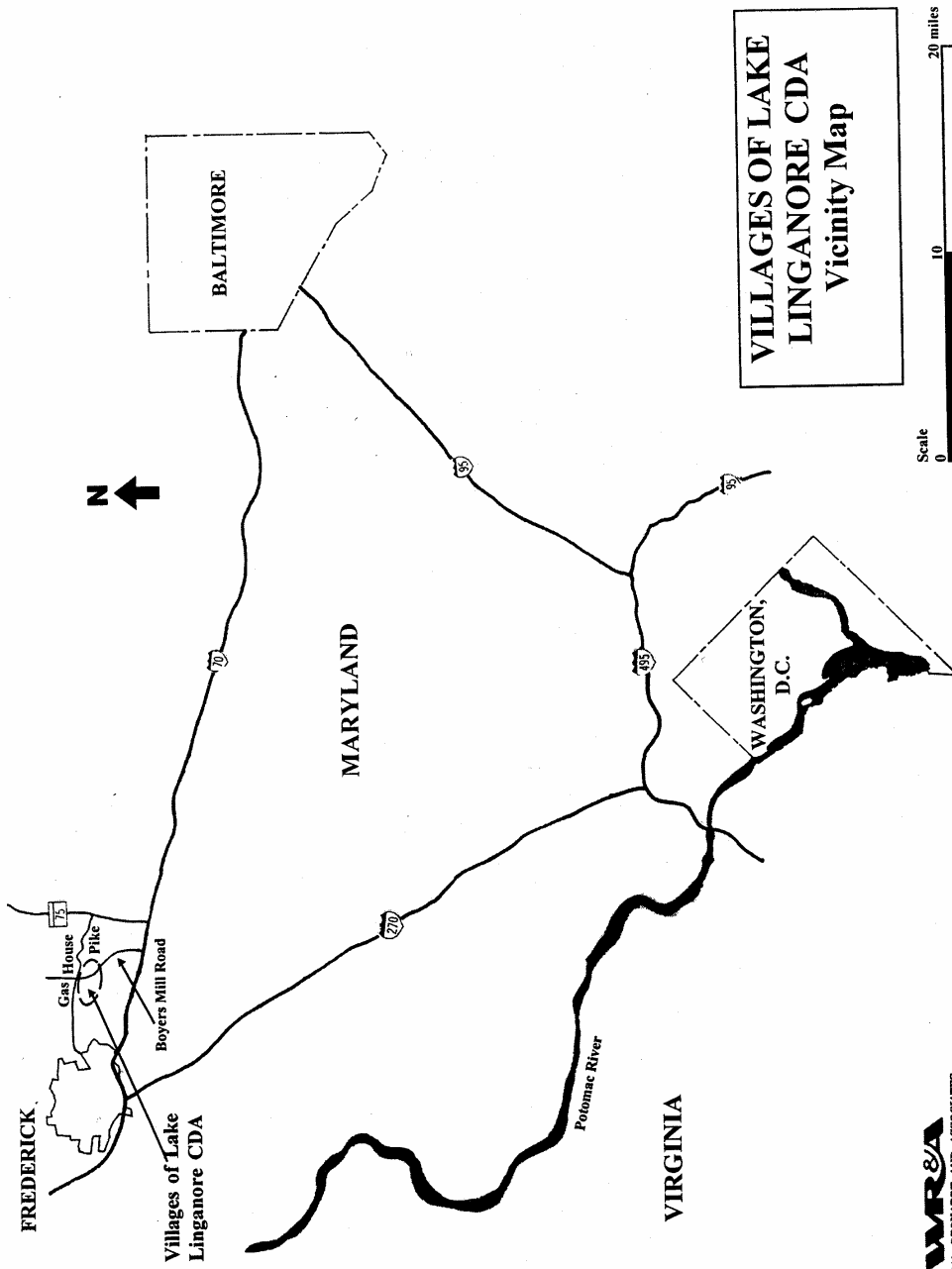
Village	Homes	Vacant Lots	Total Units
Pinehurst	203	175	378
Coldstream	191	33	224
Meadows	297	102	399
Balmoral	50	27	77
Nightingale	3	30	33
TOTAL	744	367	1,111

The bond proceeds will be utilized to repair and reconstruct the existing roads within the authority, which were built approximately twenty years ago and are in a significant state of disrepair due to substandard drainage improvements, and improvements to storm water drainage and storm water management systems within the district, which will ensure the structural soundness of the existing roads.

The roads in the district are currently owned by the Lake Linganore Association (LLA). The association will grant perpetual easements to the Lake Linganore Conservation Society (LLCS). The Lake Linganore Conservation Society will own and undertake to provide for the reconstruction of the roadways and the construction of the storm water management improvements. The Lake Linganore Conservation Society was incorporated in the State of Maryland on November 30, 1998 as a 501(c)(3) tax-exempt corporation.

Special obligation bonds in the amount of \$6,242,000 (Series 2001A Tax-Exempt) and \$488,000 (Series 2001B Taxable) were sold in January 2001. The Series 2001A Bond proceeds in the amount of \$5,780,000 (including engineering and contingencies) are to be used to reconstruct twelve miles of roadways and drainage improvements located within the authority. The Series 2001B Bond proceeds in the amount of \$422,250 are to be used to pay certain additional costs of issuing the bonds.

In order to comply with the continuing disclosure requirements, the county, the administrator and the LLCS have agreed to provide annual disclosure reports. This report is provided pursuant to that agreement. The information in this report on construction activity and significant events was provided by the LLCS and is believed to be accurate; however, no effort has been made to independently verify the information.



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 WHITMAN, REQUARDT AND ASSOCIATES
 Engineers and Planners
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 Fairfax, Virginia

III. STATUS OF CONSTRUCTION

A. BACKGROUND INFORMATION

The method of reconstruction of the roads involves the removal of the existing distressed or improperly constructed pavement, compaction and grading of the pavement base, and replacement of the pavement with full depth asphalt. Correction of drainage outfall problems is also required since proper drainage is key to pavement longevity and performance.

Storm drainage improvements consist of replacing roadway cross culverts and driveway culverts as well as the installation of drainage structures and pipes to convey concentrated runoff from the rights-of-way through properties to riprap outfalls at lower elevations near the lake. All work shall be in compliance with county specifications for construction materials and procedures. A map of the public improvements to be provided in part by the CDA is shown on page 6.

The estimated construction costs by village are provided in the table below. These costs are based on the engineer's report, dated October 28, 1999, which was prepared by Whitman Requardt and Associates, LLP.

Table III-2
Estimated Construction Costs Per Village

Village	Estimated Costs	Revised Estimated Costs	Bids
Coldstream	\$1,175,000	\$1,157,204	\$1,594,668
Balmoral/Meadows	\$2,247,000	\$2,270,113	\$2,864,009
Sub-total	\$3,422,000	\$3,427,317	\$4,458,677
Nightingale	\$217,000	N/A	N/A
Pinehurst	\$2,141,000	N/A	N/A
TOTAL	\$5,780,000	\$3,427,317	\$4,458,677

B. GOVERNEMENTAL APPROVALS

According to the engineer, Frederick County SCS, DPW and MDE Water Management have approved the basic plan of erosion and sediment control with some minor modifications. According to the engineer, the erosion and sediment control plans for the Villages of Coldstream, Balmoral and Meadows were approved by the Frederick County Soil and Conservation District (SCD). However, the Frederick County Department of Public Works Environmental Compliance Section (ECS) has indicated several issues regarding their ability to enforce the requirements on the plans as work progresses. Although SCD is the approving agency, ECS maintains authority to revoke approved plans in the event they feel the plans cannot be enforced or a reasonable bond amount set base on the information contained in the plans. Specifically, ECS has taken issue with suggested plan revisions that subjectively describe the required controls. ECS has called for graphic depictions on the plans that show the precise location and specific type of sediment controls. A meeting was held on May 3, 2004 between ECS, Division of Utilities and Solid Waste Management (DUSWM), and the engineer to discuss this issue. Based on this meeting, the engineer and ECS are continuing in

attempts to resolve these issues. The erosion and sediment control plans for the Villages of Pinehurst and Nightingale have not been submitted for approval.

The engineer has received the State/Federal Wetland Permit for the project. The permit will require modification to reflect design changes to previously designed plans for the Villages of Coldstream, Balmoral and Meadows, and to incorporate final design for the Villages of Pinehurst and Nightingale. It is anticipated that mitigation plans will be required for the Pinehurst and Nightingale Villages. If required, these detail mitigation plans will be prepared after further completion of the design, including resolution of all drainage outfalls.

According to the engineer, final forest conservation plans have been submitted and approved by Frederick County Planning for the Villages of Coldstream, Balmoral, and Meadows. The forest conservation easement plat (consisting of approximately six acres in the Village of Pinehurst serving as mitigation for all Villages) has been completed and was submitted to LLA for recordation in September 2003. Upon completion of the design for the Villages of Pinehurst and Nightingale, the forest impact plans and calculations must be submitted to the county to confirm that the area set aside in the Village of Pinehurst is adequate.

According to the engineer, a permit has been received by MDE Dam Safety Division for installing a new 12-inch water main across the embankment of Lake Merle on Eaglehead Drive.

According to the engineer, water and sewer plans for the Villages of Coldstream, Balmoral, and Meadows are complete and have been submitted to the Division of Utilities and Solid Waste Management (DUSWM). A permit will be submitted when water and sewer drawings are approved and signed by DUSWM. This is required for the construction of the Interceptor I force main and 18-inch gravity sewer that will replace the Esplanade. DUSWM has indicated approval of the water and sewer plans for the Villages of Coldstream, Balmoral, and Meadows. However, the engineer reports that plans will not be signed and a permit will not be issued prior to the resolution of issues regarding the erosion and sediment plans. The water and sewer plans for the Villages of Pinehurst and Nightingale are approximately 95% complete and are under review by DUSWM.

C. STATUS OF IMPROVEMENTS

According to the engineer, all of the original surveys and easement plats have been completed, including the location and surveys of underground utilities such as underground water, electric and telephone. The engineer reports that a few surveys of side and backyards, primarily in the Village of Pinehurst, remain to be changed due to the unwillingness of some residents to grant outflow easements. LLCS has indicated that several easements for drainage outfalls in the Village of Pinehurst will not be obtained. The engineer sent a letter to LLCS on May 18, 2004 that designated which easements were still outstanding and requesting the concurrence of LLCS in the redesign of the outfalls.

The engineer reports that final road, ditch and culvert design for the Villages of Coldstream, Balmoral and Meadows has also been completed and the project has been advertised for construction. According to the engineer, however, some revisions of the erosion and sediment plans will be required. The amount of work remaining with respect to these erosion and sediment control plan revisions is unknown, pending a response to a letter sent to the county on May 10, 2004. The design of the roadway and drainage improvements for the Villages of Pinehurst and Nightingale are approximately 85% complete, pending final county resolution of the erosion and sediment plan requirements and outfall design.

The engineer reports that the final road plans include reduced pavement thickness requirements for certain roads within the Villages. The final design for this reduced typical section is: 2 inches surface course (hot mix asphalt), 2 inches base course (hot mix asphalt), and 4 inches reclaimed base.

The engineer reports that the electronic location and survey effort for the underground utilities is complete. The additional costs are being covered by Allegheny Power and the LLCS, which are paying one third each, and the final third is being split between the LLCS and Whitman Reardon and Associates (the Engineer).

The engineer is currently working with the county on the design of the water and sewer improvements in the CDA. The design currently envisions the installation of a 12-inch redundant water main from Boyers Mill Road to Balmoral Overlook, a 10-inch sewer main from Lake Merle to Caves, Interceptor I improvements (including abandoning the Esplanade, upgrading the Boyer Mill pumping station, force main, gravity sewer and low pressure/grinder pump design in the Village of Coldstream), televising of some existing side and rear yard sewers, selective manhole inspections, and the performance of water-modeling analysis for all of the villages. The engineer anticipates some problems with obtaining approval and permitting for the proposed storm water management solutions in the villages. Once tentative approval has been obtained from the County, the engineer will discuss the solutions with the Maryland Department of Environment in an effort to minimize these problems.

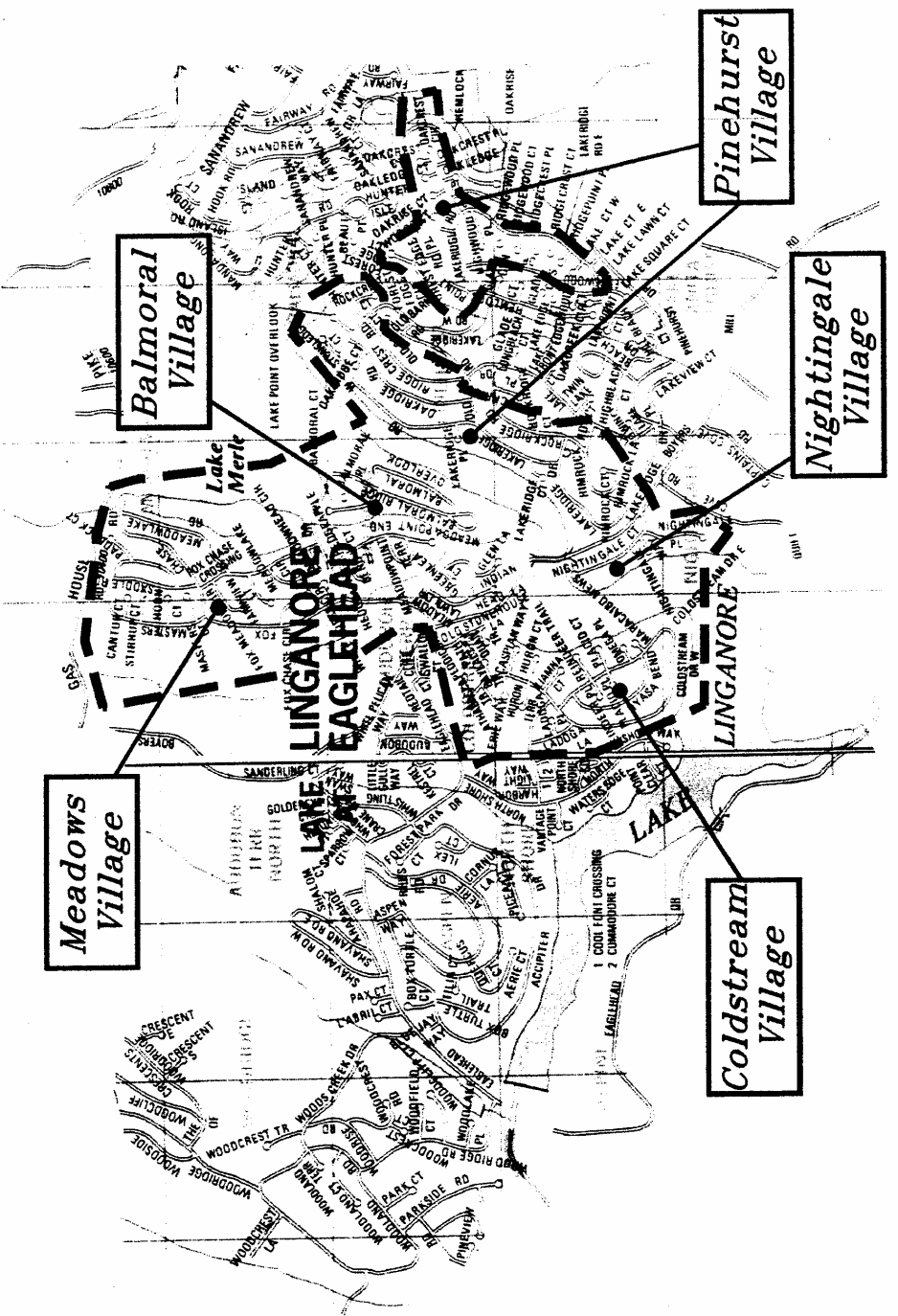
According to the engineer, preliminary storm water management concepts of using the existing lakes as water quality management for the Villages of Balmoral/Meadows and Pinehurst were approved by LLCS and Frederick County. A subsequent visit by the Maryland Department of the Environment, which was made at the request of the County, resulted in new concepts and design. The engineer has since designed water quality filtering ditches to provide management for only the proposed cul-de-sac new paved roads. All other roads and cul-de-sacs that existed in the form of asphalt paving or compacted stone and earth were not considered as imposing storm water management requirements.

According to the engineer, the projected intersection with Boyer's Mill Road and Nightingale Court has been delayed due to excessive grades. The engineer has presented two alternate intersections with entrance roads. The engineer has been instructed by the LLCS to design both alternates and present both alternates on the bid documents. After obtaining bids, the residents of Nightingale will decide which alternate to construct. The roadway geometric design for two alternatives for the construction of the Boyer's Mill Road / Nightingale Court intersection has been prepared. The stormwater management design for these alternatives has not been completed. In accordance with the LLCS instructions, both alternatives will be included in the bid documents.

The engineer has completed the preliminary road and drainage design for the Villages of Pinehurst and Nightingale.

According to the engineer, construction bids from American Infrastructure – MD, Inc for the combined roadway, drainage, water and sewer improvements for the Villages of Coldstream, Balmoral/Meadows were received in 2003. The County's portion of these improvements, consisting of the water and sewer work, totaled \$10,207,904. The CDA's portion of these improvements, consisting of the roadway and stormwater management work, totaled \$1,594,668 and \$2,864,009 for the Villages of Coldstream and Balmoral/Meadows, respectively. The engineer reports that the bid is

significantly higher than the budget amount for this portion of the project. As a result, the County and LLCS are evaluating whether to re-advertise the work. The LLCS is also working through the County to apply for additional funds from MDE's revolving loan fund. LLCS reports that on August 11, 2004, the Maryland State Board of Public Works included the public work improvements for this portion of the CDA in its list for funds. The engineer reports that, if this portion of the contract is re-advertised, various alternatives allowing the contractor to bid on portions or all of the work will be included in the bid package.



Villages of Lake Langanore CDA
Boundary Map

— Limits of CDA

WR&A
WHITMAN, REQUARDT AND ASSOCIATES
Engineers and Planners

FILENAME: M:\1999\Map\LAKE LANG.CHWG

D. STATUS OF ROAD AND CULVERT RECONSTRUCTION

The following tables list the status of road reconstruction to be funded by bond proceeds in each village. (Asterisks denote new construction.)

Table III-3
Status of Public Improvements
Coldstream Village

Roadway	Lineal Feet	Driveway Culverts	Driveway Aprons	Status
Athabasca Trail	190	1	6	Construction not begun
Baykal Trail	212	0	6	Construction not begun
Caspian Way	278	0	8	Construction not begun
Coldstream Drive	5,963	17	56	Construction not begun
Coolfront Crossing	740	0	15	Construction not begun
Erie Way	201	1	5	Construction not begun
Huron Court	214	0	4	Construction not begun
Huron Terrace	299	2	8	Construction not begun
Iliamna Court*	290	0	1	Construction not begun
Ladoga Lane	594	3	11	Construction not begun
Ladoga Place	183	0	4	Construction not begun
Maracaibo Mews*	114	0	2	Construction not begun
Nyasa Bend	1,427	2	37	Construction not begun
Old Stonehouse Lane	870	0	11	Construction not begun
Omega Place	194	0	2	Construction not begun
Peddicord Path	132	0	4	Construction not begun
Placid Court	165	0	2	Construction not begun
Placid Place	183	0	6	Construction not begun
Quail Trail	132	0	4	Construction not begun
Reindeer Place	182	0	5	Construction not begun
Reindeer Trail	215	1	3	Construction not begun

Table III-4
Status of Public Improvements
Meadows/Balmoral Villages

Roadway	Lineal Feet	Driveway Culverts	Driveway Aprons	Status
Balmoral Court	116	4	15	Construction not begun
Balmoral Place	269	0	5	Construction not begun
Balmoral Overlook	1,197	2	8	Construction not begun
Balmoral Ridge	2,434	1	31	Construction not begun
Cantor Court	149	0	1	Construction not begun
Eaglehead Drive	2,080	0	0	Construction not begun
Fox Chase Circle	535	0	12	Construction not begun
Fox Chase Crossing	364	1	1	Construction not begun
Fox Chase Road	3,840	29	68	Construction not begun
Fox Meadow Circle	439	1	11	Construction not begun
Glen Lane	355	0	0	Construction not begun
Greenlea Court	158	0	4	Construction not begun
Hedgeapple Bend	1,085	1	23	Construction not begun
Hedgeapple Court	290	0	8	Construction not begun
Horn Court	210	0	3	Construction not begun
Indian Head Lane*	200	0	0	Construction not begun
Masters Court	234	0	5	Construction not begun
Masters Path	686	0	0	Construction not begun
Masters Road	2,833	4	21	Construction not begun
Meadowhead Circle	310	0	9	Construction not begun
Meadow Lake Circle	405	1	9	Construction not begun
Meadowlake Road	2,795	6	29	Construction not begun
Meadow Lawn Circle	1,967	9	29	Construction not begun
Meadowpoint End	245	0	3	Construction not begun
Meadowpoint Terrace	1,899	4	12	Construction not begun
Paddock Court	283	0	6	Construction not begun
Parkrose Court	123	0	4	Construction not begun
Saddle Road	1,110	6	11	Construction not begun
Stirrup Court	212	0	6	Construction not begun
Whitehorse Circle	271	0	8	Construction not begun

Table III-5
Status of Public Improvements
Pinehurst Village

Roadway	Lineal Feet	Driveway Culverts	Driveway Aprons	Status
Forest Edge Circle	858	10	14	Construction not begun
Forest Edge Court	129	0	2	Construction not begun
Forest Edge Place	231	1	2	Construction not begun
Hemlock Point Road	2,587	15	32	Construction not begun
Hemlock Pt Rd Spur	144	0	2	Construction not begun
Highwood Place*	462	0	0	Construction not begun
Lake Point Overlook	294	0	7	Construction not begun
Lakeridge Court	410	0	2	Construction not begun
Lakeridge Drive	1,000	5	10	Construction not begun
Lakeridge Place*	160	0	0	Construction not begun
Lakeridge Spur	170	0	2	Construction not begun
Lakeridge Road E.	2,358	6	17	Construction not begun
Lakeridge Road W.	3,836	6	37	Construction not begun
Oakcrest Circle	1,010	0	1	Construction not begun
Oakcrest Court*	130	0	0	Construction not begun
Oakcrest Place*	141	0	0	Construction not begun
Oakledge Place*	122	0	0	Construction not begun
Oakridge Court	198	0	0	Construction not begun
Oakridge Road	1,825	11	19	Construction not begun
Oakrise Court	143	0	0	Construction not begun
Old Barn Road	644	0	0	Construction not begun
Ridgecrest Court*	445	0	0	Construction not begun
Ridgecrest Place	156	0	0	Construction not begun
Ridgecrest Road	1,549	0	0	Construction not begun
Ridgewood Court*	152	0	0	Construction not begun
Ridgewood Place*	146	0	0	Construction not begun
Rimrock Court	139	0	1	Construction not begun
Rimrock Lane	650	1	1	Construction not begun
Rimrock Road	898	2	11	Construction not begun
Rockridge Court	297	0	5	Construction not begun
Rockridge Place	4347	1	7	Construction not begun

Rockridge Road	1,125	4	10	Construction not begun
Stoneledge Court	547	0	3	Construction not begun
Woods Court	346	0	3	Construction not begun

Table III-6
Status of Public Improvements
Nightingale Village

Roadway	Lineal Feet	Driveway Culverts	Driveway Aprons	Status
Nightingale Court*	958	0	0	Construction not begun
Nightingale Place*	1,020	0	0	Construction not begun
Nightingale Way*	154	0	0	Construction not begun
Temp-Access Lot 8*	243	0	0	Construction not begun

(i.) Bond Proceeds Expended for Reconstruction

The construction budget and bond proceeds expended for construction of public improvements are provided in the table below. As of June 30, 2004, total bond proceeds expended for construction equaled \$825,830 or 14.3% of the budget for public improvements. According to the engineer the budget has been revised to show significant savings in the anticipated costs of providing storm water management facilities for each of the villages. MDE has determined that the storm water management facilities were not required because the public reconstruction is considered maintenance. These savings were off set by significant increases in engineering, including construction engineering services.

Table III-7
Budget for Public Improvements

Village	Improvement	Budget	Budget Changes	Revised Budget	Expended	Percent
Coldstream						
	Road Construction	\$589,200	\$33,649	\$622,849	\$0	0.00%
	Storm Drainage	\$113,020	\$105,590	\$218,610	\$0	0.00%
	Roadway Culverts	\$16,500	\$1,180	\$17,680	\$0	0.00%
	Stormwater Mgm't	\$120,000	(\$112,500)	\$7,500	\$0	0.00%
	W & S Offset	(\$32,000)		(\$32,000)		
	Contingency	\$242,016	(\$149,276)	\$92,740	\$0	0.00%
	Engineering	\$125,848	\$121,357	\$247,205	\$186,747	75.5%
	<i>Subtotal</i>	\$1,174,584		\$1,174,584	\$186,747	15.9%
Meadows/Balmoral						
	Road Construction	\$1,143,365		\$1,143,365	\$0	0.00%
	Storm Drainage	\$196,760		\$196,760	\$0	0.00%
	Roadway Culverts	\$34,950		\$34,950	\$0	0.00%
	Stormwater Mgm't	\$200,000	(\$192,500)	\$7,500	\$0	0.00%
	W & S Offset	(\$32,000)		(\$32,000)		
	Contingency	\$462,923	(\$7,655)	\$455,268	\$0	0.00%
	Engineering	\$240,720	\$200,155	\$440,875	\$329,297	74.7%
	<i>Subtotal</i>	\$2,246,718		\$2,246,718	\$329,297	14.7%
Pinehurst						
	Road Construction	\$991,691		\$991,691	\$0	0.00%
	Storm Drainage	\$218,950		\$218,950	\$0	0.00%
	Roadway Culverts	\$31,800		\$31,800	\$0	0.00%
	Stormwater Mgm't	\$260,000	(\$185,000)	\$75,000	\$0	0.00%
	W & S Offset	(\$32,000)		(\$32,000)		
	Contingency	\$441,132	\$34,044	\$475,176	\$0	0.00%
	Engineering	\$229,389	\$150,956	\$380,345	\$282,473	74.3%
	<i>Subtotal</i>	\$2,140,962		\$2,140,962	\$282,473	13.2%
Nightingale						
	Road Construction	\$136,754		\$136,754	\$0	0.00%
	Storm Drainage	\$12,250		\$12,250	\$0	0.00%
	Contingency	\$44,701	(\$28,931)	\$15,770	\$0	0.00%
	Engineering	\$23,245	\$28,932	\$52,177	\$27,313	52.3 %
	<i>Subtotal</i>	\$216,951		\$216,951	\$27,313	12.6%
	TOTAL	\$5,779,215	\$0	\$5,779,215	\$825,830	14.3%

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2001A and B bonds is Allfirst Trust Company. The December 31, 2003 balance, interest paid, disbursements, special tax collections and additional proceeds, and account balances for each fund, as of June 30, 2004, are shown by the following table:

**Table IV-1
Account Balances**

	12/31/04 Balance	Interest Paid	Additional Proceeds	Disbursements	06/30/04 Balance
Balmoral/Meadows	\$1,418,195	\$4,898	\$0	\$0	\$1,423,093
Coldstream	\$727,370	\$2,512	\$0	\$0	\$729,882
Pinehurst	\$1,390,901	\$4,804	\$0	\$0	\$1,395,705
Nightingale	\$142,128	\$491	\$0	\$0	\$142,618
Contingency	\$1,174,571	\$4,057	\$0	\$0	\$1,178,627
Prepayments	\$168,536	\$582	\$0	\$0	\$169,118
Bond Account	\$0	\$0	\$196,516	\$196,516	\$0
Series A&B Reserve Fund	\$707,992	\$2,445	\$0	\$0	\$710,437
Special Tax Account	\$634,187	\$2,051	\$178,650	\$196,516	\$618,372
Admin Expense Fund	\$34,259	\$86	\$0	\$27,149	\$7,196
TOTAL	\$6,398,138	\$21,925	\$375,166	\$420,181	\$6,375,048

The total initial deposits includes \$49,068 in accrued interest and excludes the Series A Bonds original issue discount of \$41,647. (The numbers in Table IV-1 are shown as rounded; however, the total and current balance numbers are based on the actual amounts, including cents.)

The interest paid through June 30, 2004 does not include interest accrued but not yet paid. Proceeds are invested in a money market fund currently earning 0.61 percent per annum. The table below shows the average rate of return on the investments in each fund or account.

Investment income on the administrative expense fund will remain in that fund and be used for the purpose of paying administrative expenses. Investment income on the improvement fund, which consists of the Balmoral/Meadows, Coldstream, Pinehurst, Nightingale, Contingency and Preclosing Prepayments accounts, will be used in the following order of priority: (i) deposited in the project fund, or if the facilities are complete, (ii) transferred to the Series A Prepayment Subaccount and applied to redeem the Series A Bonds. If the reserve requirement is met, investment income in the reserve fund will be transferred to pay debt service on the bonds or to the Series A or Series B Prepayment Subaccounts as appropriate and used to prepay the bonds. Alternatively, the Authority may instead request that such investment income be transferred to the Administrative Expense Fund and made available for the payment of administrative expenses.

Table IV-2
Average Investment
Rate of Return

Account	Rate of Return
Balmoral/Meadows	0.61%
Coldstream	0.61%
Pinehurst	0.61%
Nightingale	0.61%
Contingency	0.61%
Prepayments	0.61%
Bond Account	0.00%
Administrative expense	0.61%
Reserve Fund	0.61%
Special Tax Account	0.61%

V. ***AUTHORITY OPERATIONS***

A. **LEVY OF SPECIAL TAXES**

A special tax is to be levied and collected each fiscal year in the Lake Linganore Community Development Authority pursuant to Resolution 00-06 adopted by the Board of County Commissioners of Frederick County on April 11, 2000.

The rates and method to be used in levying the special tax are provided for in the “Rate and Method of Apportionment of Special Taxes” (RMA) for the Lake Linganore Community Development Authority as contained in Exhibit 1 of Resolution 00-06. The RMA provides for special taxes to be levied in an amount “necessary to fund the Special Tax Requirement.” The RMA defines the Special Tax Requirement as follows:

Prior to the Completion of Construction, the Special Tax Requirement shall be, at the option of and determined by the County, equal to (1) the Maximum Special Tax that may be levied on all of the Parcels of Taxable Property in the CDA, (2) the amount calculated according to the provisions that apply for the calculation of the Special Tax Requirement subsequent to the Completion of Construction.

The RMA provides, at the option of the county, for special taxes to be levied at the maximum special tax rate prior to the completion of construction to provide additional funds for construction. Any proceeds not used for construction will be used to repay the bonds, resulting in lower special taxes in subsequent years.

Special Tax Rates

The maximum special tax rate for the parcels of taxable property within the CDA for the 2004-2005 fiscal year are shown by the following table:

**Table V-1
Special Tax Rates
Fiscal Year 2004-2005**

Village	Maximum Special Tax Rate	Special Tax Rate Levied
Pinehurst	\$473.02	\$473.02
Coldstream	\$370.19	\$370.19
Meadows/Balmoral	\$425.40	\$425.40
Nightingale	\$473.02	\$473.02

According to the RMA, the maximum special tax rates for property intended for commercial development shall be equal to the maximum special tax per dwelling unit, as shown for other parcels within the same neighborhood on the special tax roll, multiplied by three dwelling units per acre. There are three parcels of commercial property within the CDA, two within the Meadow’s Village and one in the Village of Pinehurst. Currently, two of these parcels are being utilized as residences

and the remaining parcel is vacant. As a result, these three parcels will be classified as though they are residential parcels and taxed at the special tax rate of the village within which they are located.

Special Tax Requirement

The special tax requirement is equal to the maximum special tax that may be levied on all of the parcels of taxable property in the CDA in order to provide additional funds for construction. As shown by the following table, the maximum special taxes and reserve fund interest income for fiscal year 2004-2005 are estimated to be \$479,823.78 and \$4,105.30, respectively. The expenses of the district for fiscal year 2004-2005 are estimated to be \$462,900.00, resulting in estimated surplus proceeds of \$21,029.08, which will be available for construction or to repay the bonds.

Table V-2 provides a summary of the revenues and expenses of the CDA for fiscal year 2004-2005. An explanation of these estimates follows.

Table V-2
Estimated Revenues and Expenses of the CDA
Fiscal Year 2004-2005

Estimated Revenues:	
Special tax requirement	\$479,823.78
Reserve fund income	\$4,105.30
Total estimated revenues	\$483,929.08
Estimated Expenses:	
Series A Interest on January 1, 2005	\$176,918.50
Series A Interest on July 1, 2005	\$176,918.50
Series A Principal on July 1, 2005	\$0.00
Series B Interest on January 1, 2005	\$18,592.50
Series B Interest on July 1, 2005	\$18,592.50
Series B Principal on July 1, 2005	\$34,000.00
Sub-total debt service	\$425,022.00
Administrative expenses	\$33,300.00
Contingency	\$4,878.00
Total expenses	\$462,900.00
Estimated surplus	\$21,029.08

Reserve Fund Income

As of February 29, 2004, the balance in the reserve fund was \$709,043.77, which includes the original deposit of \$673,000.00 and interest earnings of \$36,043.77. Interest earnings currently held in the reserve fund will be transferred to the bond fund to pay semi-annual debt service on July 1, 2004. The reserve requirement is \$673,000.00. Bond proceeds in the reserve fund are invested in a money market account currently earning a 0.61% rate of return per annum. The yield on the money market account fluctuates daily and rates have been declining. Reserve fund income for fiscal year 2004-2005 is estimated based on the current yield of 0.61%, which results in estimated reserve fund interest income of \$4,105.30.

Debt Service

Debt service includes the interest payments on the Series 2000A and 2000B Bonds due on January 1, 2005 and July 1, 2005. Each semi-annual interest payment on the Series 2000A Bonds is \$176,918.50. This is based on outstanding principal balances of \$4,285,000.00 and \$1,957,000.00 and the annual interest rates of 5.70% and 5.60%, respectively. Each semi-annual interest payment on the Series 2000B Bonds is \$18,592.50. This is based on an outstanding principal balance of \$444,000.00 and the annual interest rate of 8.375%. The principal amount due on the Series 2000B Bonds on July 1, 2005 is \$34,000. Total debt service is, therefore, \$425,022.00.

Administrative Expenses

Administrative expenses include the trustee, the administrator, and the expenses of the county and the Lake Linganore Conservation Society (LLCS) related to the CDA. The annual charges of the trustee are estimated to be \$5,300.00. The annual charges of the administrator are estimated to be \$16,000.00. The expenses of the county are estimated to be \$2,000.00. The expenses of the LLCS are estimated to be \$10,000.00, consisting mostly of legal expenses. Accordingly, the total administrative expenses are estimated at \$33,300.00.

Contingency

A contingency, equal to approximately 1.0% of estimated revenues, has been added in the event that there are unanticipated expenses or property tax delinquencies or if interest income earned is less than estimated.

Summary

The maximum special taxes and estimated reserve fund interest income for fiscal year 2004-2005 are estimated to be \$479,823.78 and \$4,105.30, respectively. The expenses of the district for fiscal year 2004-2005 are estimated to be \$462,900.00, resulting in additional proceeds for construction of \$21,029.08.

B. DELINQUENT SPECIAL ASSESSMENTS

Special taxes totaling \$470,413.37 were to be levied and collected in fiscal year 2003-2004. As of May 21, 2004, Frederick County reported collecting and transferring \$467,949.69 in special taxes to the trustee to pay debt service and administrative expenses. According to the county, the balance due of \$2,466.68 was abated/adjusted. As a result, there are no delinquent special taxes for fiscal year 2003-2004 at this time. According to the county, the prior year delinquency of \$408.88 on one unit in the Meadows/Balmoral Village has been collected and transferred to the trustee. As a result, there are no delinquent special taxes for fiscal year 2002-2003 at this time.

C. COLLECTION EFFORTS

There are no delinquent special taxes at this time. As a result, there are no collection efforts underway at this time.

VI. AUTHORITY FINANCIAL INFORMATION

The information provided in this section is provided to meet the requirements on the annual report as provided for in Section 3(a) of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

The financial statements for the Authority are provided under separate cover. There have been no amendments to the Continuing Disclosure Agreement or change in the accounting principals or presentation that would fall within Section 9 of the Continuing Disclosure Agreement.

All information in this section is provided as of June 30, 2004, unless otherwise stated.

A. SPECIAL TAXES LEVIED

The special taxes levied for fiscal year 2004-2005 are described in Section V of this report, "District Operations." A summary of the special taxes levied in each village for fiscal year 2004-2005 is shown below in Table VI-1. (The table below excludes the 30 parcels for which the special tax is prepaid.)

Table VI-1
Special Taxes Levied

Village	Number of Units	Special Tax Per Unit	Total Special Tax
Pinehurst	378	\$473.02	\$178,801.56
Coldstream	224	\$370.19	\$82,922.56
Balmoral	77	\$425.40	\$32,755.80
Meadows	399	\$425.40	\$169,734.60
Nightingale	33	\$473.02	\$15,609.66
TOTAL	1,111		\$479,823.78

B. SPECIAL TAXES COLLECTED

According to Frederick County, special taxes are payable semi-annually at the same time as county property taxes and are due on July 31, 2004 and December 31, 2004. The special taxes due and collected in 2004 are shown by the table on the following page:

Table VI-2
Special Taxes Due and Collected

	Total
Special taxes due (09/30/04)	\$239,911.89
Special taxes collected (09/30/04)	\$0.00
Special taxes due (12/31/04)	\$239,911.89
Special taxes collected (12/31/04)	\$0.00
Percent due collected	0.00%

C. DELINQUENT SPECIAL TAXES BY FISCAL YEAR

As described in Section V of this report, “District Operations,” Special taxes totaling \$470,415.47 were to be levied and collected in fiscal year 2003-2004. According to Frederick County, \$467,949.69 in special taxes have been collected and transferred to the trustee to pay debt service and administrative expenses. According to the county, the balance due of \$2,466.68 was abated/adjusted. As a result, there are no delinquent special taxes for fiscal year 2003-2004 at this time. According to the county, the prior year delinquency of \$408.88 on one unit in the Meadows/Balmoral Village has been collected and transferred to the trustee. As a result, there are no delinquent special taxes for fiscal year 2002-2003 at this time..

Table VI-4
Delinquent Special Taxes

	Total
Six months delinquent	\$0
One year delinquent	\$0
Two years delinquent	\$0
TOTAL	\$0

The delinquent special taxes do not amount to more than ten percent of the annual special taxes due in any year.

D. FORECLOSURE PROCEEDINGS

The special taxes subject to foreclosure proceedings are shown by the following table:

Table VI-5
Special Taxes Subject
to Foreclosure Proceedings

	Total
Subject to foreclosure but not yet instituted	\$0
Foreclosure instituted but not concluded	\$0
Judgement obtained but not yet collected	\$0
Judgement collected	\$0
TOTAL	\$0

E. SPECIAL TAX PREPAYMENTS

The amount of special tax prepayments received during the past fiscal year and the amount of bonds redeemed or called for redemption as a result of such prepayments is shown by the following table:

Table VI-6
Special Tax Prepayments
As of June 30, 2004

	Total
Special assessment prepayments	\$0.00
Bonds redeemed	\$0.00
Bonds called for redemption	\$0.00

The table above do not include the prepayments on 30 parcels, which were prepaid at the time of bond issuance. There have been no additional prepayments subsequent to bond issuance.

F. FUND BALANCES

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

G. BONDS OUTSTANDING

The bonds outstanding are shown by the following table:

Table VI-7
Bonds Outstanding
As of July 1, 2003

	Total
Series A Bonds	\$6,242,000
Series B Bonds	\$468,000
TOTAL	\$6,710,000

H. PRINCIPAL AND INTEREST PAID AND DUE ON THE BONDS

The principal and interest paid on the bonds in the bond year ending July 1, 2004 is shown by the following table:

Table VI-8
Interest and Principal Paid
Bond Year Ending July 1, 2004

	Series A Bonds	Series B Bonds	Total
Interest January 1, 2004	\$176,918.50	\$19,597.50	\$196,516.00
Interest July 1, 2004	\$176,918.50	\$19,597.50	\$196,516.00
Principal July 1, 2004	\$0.00	\$24,000.00	\$24,000.00
TOTAL	\$353,837.00	\$63,195.00	\$417,032.00

The principal and interest due on the bonds in the bond year ending July 1, 2005 is shown in the following table:

Table VI-9
Interest and Principal Due
Bond Year Ending July 1, 2005

	Series A Bonds	Series B Bonds	Total
Interest January 1, 2005	\$176,918.50	\$18,592.50	\$195,511.00
Interest July 1, 2005	\$176,918.50	\$18,592.50	\$195,511.00
Principal July 1, 2005	\$0.00	\$34,000.00	\$34,000.00
TOTAL	\$353,837.00	\$71,185.00	\$425,022.00

I. STATUS OF IMPROVEMENTS

The status of the improvements is more fully outlined in Section III, “Development Activity,” of this report.

VII. LISTED EVENTS

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

- (i) Delinquency in payment when due of principal of or interest on the bonds;
- (ii) Occurrence of any event of default under the indenture (other than as described in clause (i) above);
- (iii) Amendment to the indenture or the disclosure agreement or the modifications to the rights of the owners of the bonds;
- (iv) Optional, mandatory or other redemption of any bonds;
- (v) Defeasance of the bonds or any portion thereof;
- (vi) Any change in any ratings of the bonds;
- (vii) Receipt of any adverse opinion with respect to the tax exempt status of the Series A Bonds, including but not limited to: Any challenge to the tax exempt status of the Series A Bonds by the Internal Revenue Service or in any administrative proceedings; or the issuance of any regulation, decision, or other official pronouncement by the Internal Revenue Service or other official authority or by any court adversely affecting the tax exempt status of the Series A Bonds, or when and if known by the county, bonds as the same type as the Series A Bonds or financing structures of the same type as financed by the Series A Bonds;
- (viii) Any unscheduled draw on the debt service reserve fund reflecting financial difficulties;
- (ix) Any unscheduled draw on any credit enhancement for the bonds reflecting financial difficulties;
- (x) The substitution of credit or liquidity providers, or their failure to perform;
- (xi) The release, substitution or sale (other than in the ordinary course of business) of property, if any, securing payment of the bonds (including property leased, mortgaged or pledged as such security);
- (xii) Any change in the county's fiscal year;
- (xiii) The institution or conclusion of any proceeding, appeal or litigation contesting the establishment of the authority, the issuance of the bonds, or the assessment, levy or collection of special taxes or the methodology of determining special taxes.

To the knowledge of the administrator, no listed events have occurred.