OFFICIAL STATEMENT DATED MARCH 22, 2002

NEW ISSUE - BOOK-ENTRY ONLY | **Fitch Ratings: AA**
Standard & Poor's Ratings Group: AA

In the opinion of Bond Counsel, assuming continued compliance with certain covenants described herein, under existing laws, regulations, rulings and judicial decisions, interest on the 2002A Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code, and such interest will not be treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations. Under the Code, interest on the 2002A Bonds is to be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax, the environmental tax and the foreign branch profits tax. The principal amount of the 2002A Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized on their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the 2002A Bonds or the interest thereon. See "TAX EXEMPTIONS" herein.

$11,600,000
MONTGOMERY COUNTY, MARYLAND
SPECIAL OBLIGATION BONDS
(WEST GERMANTOWN DEVELOPMENT DISTRICT)
SENIOR SERIES 2002A

Dated: April 1, 2002 | **Due:** July 1, shown on inside cover page

The Montgomery County, Maryland Special Obligation Bonds (West Germantown Development District), Senior Series 2002A (the "2002A Bonds") are being issued by Montgomery County, Maryland (the "County") only in fully registered form, in denominations of $5,000 and integral multiples thereof. The 2002A Bonds will bear interest at the rates set forth on the inside cover, calculated on the basis of a 360-day year comprised of twelve thirty-day months, payable semi-annually on each January 1 and July 1, commencing July 1, 2002. The 2002A Bonds are available only in global book-entry form registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the 2002A Bonds. So long as the 2002A Bonds are registered in the name of Cede & Co., payment of the principal of and interest on the 2002A Bonds will be made by Wachovia Bank, National Association, Richmond, Virginia, as trustee (the "Trustee"), to DTC. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein.

The 2002A Bonds and the County's $4,315,000 Special Obligation Bonds (West Germantown Development District), Junior Series 2002B (the "2002B Bonds") are being issued by the County, a body corporate and politic of the State of Maryland, under and pursuant to Chapters 14 and 20A of the 1994 Montgomery County Code, as amended (collectively, the "Acts"), Resolutions No. 13-1135 and No. 13-1398 of the County Council for the County, as amended, and an Indenture of Trust between the County and the Trustee dated as of April 1, 2002 (the "Indenture"). The 2002A Bonds are being issued to (i) finance a portion of the cost of acquisition of certain road, park and sewer improvements; (ii) fund capitalized interest on the 2002A Bonds through July 1, 2002; (iii) fund the 2002A Reserve Account for the 2002A Bonds; and (iv) pay the costs of issuance of the 2002A Bonds. The 2002B Bonds will be issued simultaneously with the 2002A Bonds to (i) finance the remaining portion of the cost of acquisition of certain road, park and sewer improvements; (ii) fund capitalized interest on the 2002B Bonds through July 1, 2002; (iii) fund the 2002B Reserve Account for the 2002B Bonds; and (iv) pay the costs of issuance of the 2002B Bonds.

Payment of principal of and interest on the 2002A Bonds will be insured in accordance with the terms of a financial guaranty insurance policy to be issued simultaneously with the delivery of the 2002A Bonds by ASSET GUARANTY INSURANCE COMPANY, as more fully described herein.

ASSET GUARANTY
a Radian company

The 2002A Bonds are subject to optional, mandatory and extraordinary redemption at the times, in the amounts and at the redemption prices as more fully described herein under the caption "THE 2002A BONDS — Redemption."

THE 2002A BONDS AND ANY ADDITIONAL BONDS ISSUED UNDER THE INDENTURE ARE SECURED BY A SENIOR LIEN ON AND A SENIOR PRIORITY INTEREST IN THE SPECIAL REVENUES, WHICH LIEN AND INTEREST IS SENIOR TO THE RIGHTS OF THE OWNERS OF THE 2002B BONDS, SUCH THAT THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002A BONDS AND ANY ADDITIONAL BONDS WILL BE PAID FROM THE SPECIAL REVENUES ON EACH DATE ON WHICH SUCH PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST IS DUE AND PAYABLE, PRIOR TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002B BONDS THEN DUE AND PAYABLE.

THE 2002A BONDS ARE SPECIAL OBLIGATIONS OF THE COUNTY, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE SPECIAL TAXES AND SPECIAL ASSESSMENTS AND CERTAIN OTHER ASSETS AND REVENUES OF THE WEST GERMANTOWN DEVELOPMENT DISTRICT PLEDGED BY THE COUNTY UNDER THE INDENTURE, INCLUDING AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS HELD BY THE COUNTY AND THE TRUSTEE UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE 2002A BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION DEBT OF THE COUNTY OR A PLEDGE OF THE COUNTY'S FULL FAITH AND CREDIT OR TAXING POWER. THE 2002A BONDS ARE NOT AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF THE MONTGOMERY COUNTY CHARTER. EXCEPT FOR THE SPECIAL TAXES AND SPECIAL ASSESSMENTS, NO OTHER TAXES OR ASSESSMENTS ARE PLEDGED TO THE PAYMENT OF THE 2002A BONDS.

This cover page contains information for quick reference only. It is not a summary of the 2002A Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2002A Bonds are offered for delivery when, as and if issued by the County and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and the receipt of the approving legal opinion of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel. Certain disclosure matters will be passed upon by McGuireWoods LLP, Baltimore, Maryland, Disclosure Counsel. Certain legal matters will be reviewed for the Underwriter by Ballard Spahr Andrews & Ingersoll, LLP, Washington, D.C. It is expected that the 2002A Bonds will be available for delivery through the facilities of DTC on or about April 11, 2002.

Legg Mason Wood Walker
Incorporated

$1,605,000 Serial Bonds

Amount	Due July 1	Interest Rate	Yield	CUSIP	Amount	Due July 1	Interest Rate	Yield	CUSIP
$ 75,000	2003	2.15%	2.25%	613368AB5	$ 165,000	2008	4.35%	4.40%	613368AG4
90,000	2004	2.90	3.00	613368AC3	190,000	2009	4.50	4.56	613368AH2
110,000	2005	3.45	3.55	613368AD1	210,000	2010	4.60	4.66	613368AJ8
125,000	2006	3.80	3.90	613368AE9	235,000	2011	4.70	4.75	613368AK5
145,000	2007	4.20	4.20	613368AF6	260,000	2012	4.80	4.84	613368AL3

$3,340,000 5.375% Term Bonds due July 1, 2020 – Yield 5.48% - CUSIP: 613368AM1

$6,655,000 5.50% Term Bonds due July 1, 2027 – Yield 5.60% CUSIP: 613368AN9

THE 2002A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE 2002A BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTIONS IN WHICH THEY MAY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE STATE OF MARYLAND, THE COUNTY, NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2002A BONDS. EXCEPT FOR THE INFORMATION RELATING TO THE COUNTY IN APPENDIX D HERETO AND THE DESCRIPTION OF THE COUNTY'S TAX COLLECTION PROCEDURES APPEARING UNDER THE CAPTION "SECURITY FOR THE 2002A BONDS — SPECIAL TAXES AND SPECIAL ASSESSMENTS — LEVY, PAYMENT AND COLLECTION," THE COUNTY HAS ASSUMED NO RESPONSIBILITY FOR THE PREPARATION, ACCURACY, COMPLETENESS OR CONTENT OF THIS OFFICIAL STATEMENT.

No broker, dealer, salesperson, or other person has been authorized by the County or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the 2002A Bonds and there shall be no offer, solicitation, or sale of the 2002A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from public documents, records and other sources, including the Developers, which are believed by the Underwriter to be reliable. The Trustee has not reviewed or participated in the preparation of this Official Statement and is not responsible for the content hereof. Bank One, NA, and Ohio Savings Bank have not reviewed or participated in the preparation of this Official Statement or the transactions to which their respective Tax Liability Letter of Credit relates. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Developers, the District or the County since the date hereof. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so discussed herein, are intended solely as such and are not to be construed as a representation of facts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2002A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING ASSET GUARANTY INSURANCE COMPANY ("ASSET GUARANTY" OR "BOND INSURER") CONTAINED UNDER THE CAPTION "MUNICIPAL BOND INSURANCE" HEREIN AND IN APPENDIX G HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY ASSET GUARANTY, AND ASSET GUARANTY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE 2002A BONDS; OR (iii) THE TAX STATUS OF THE INTEREST ON THE 2002A BONDS.

FIGURE 1

SITE VICINITY MAP

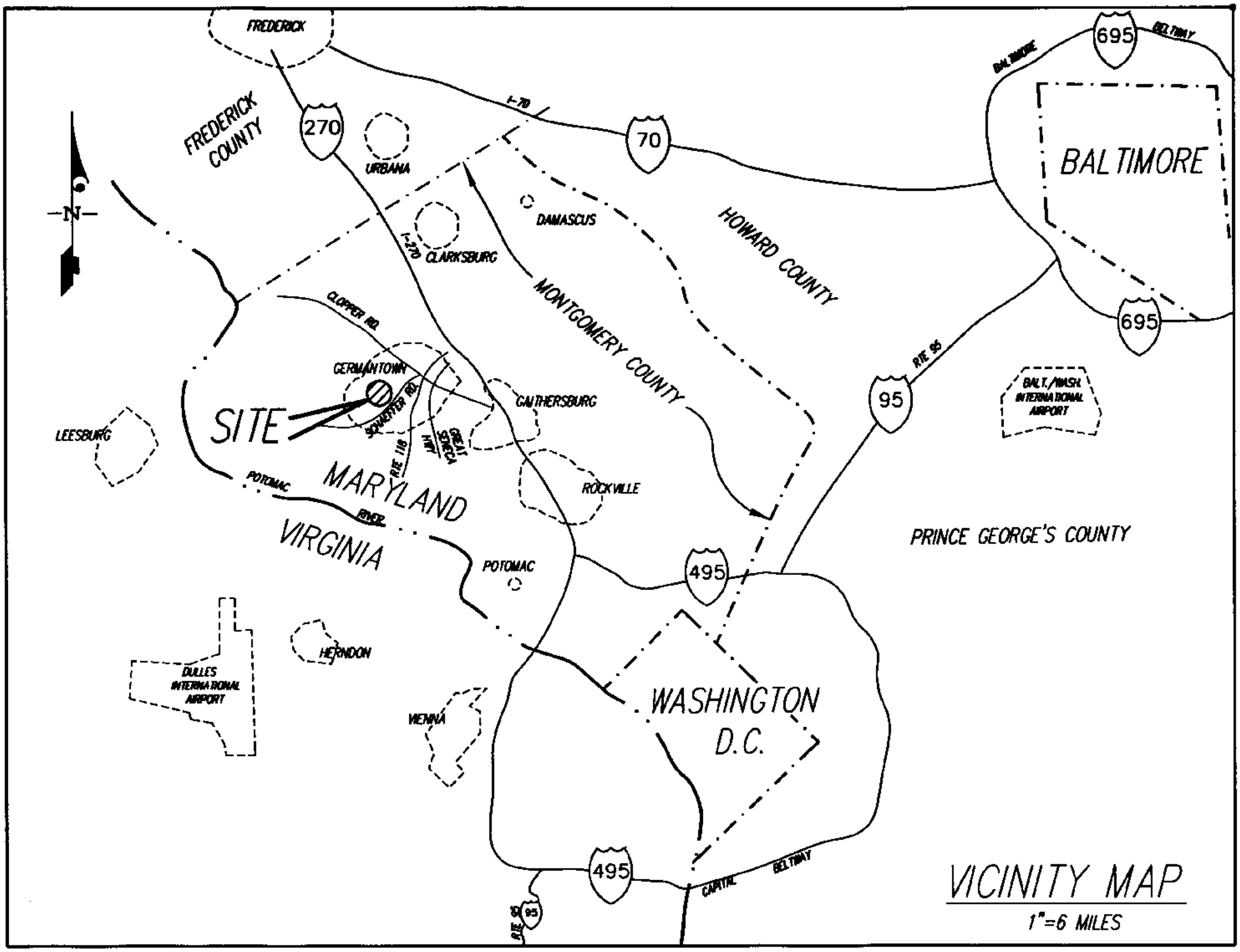
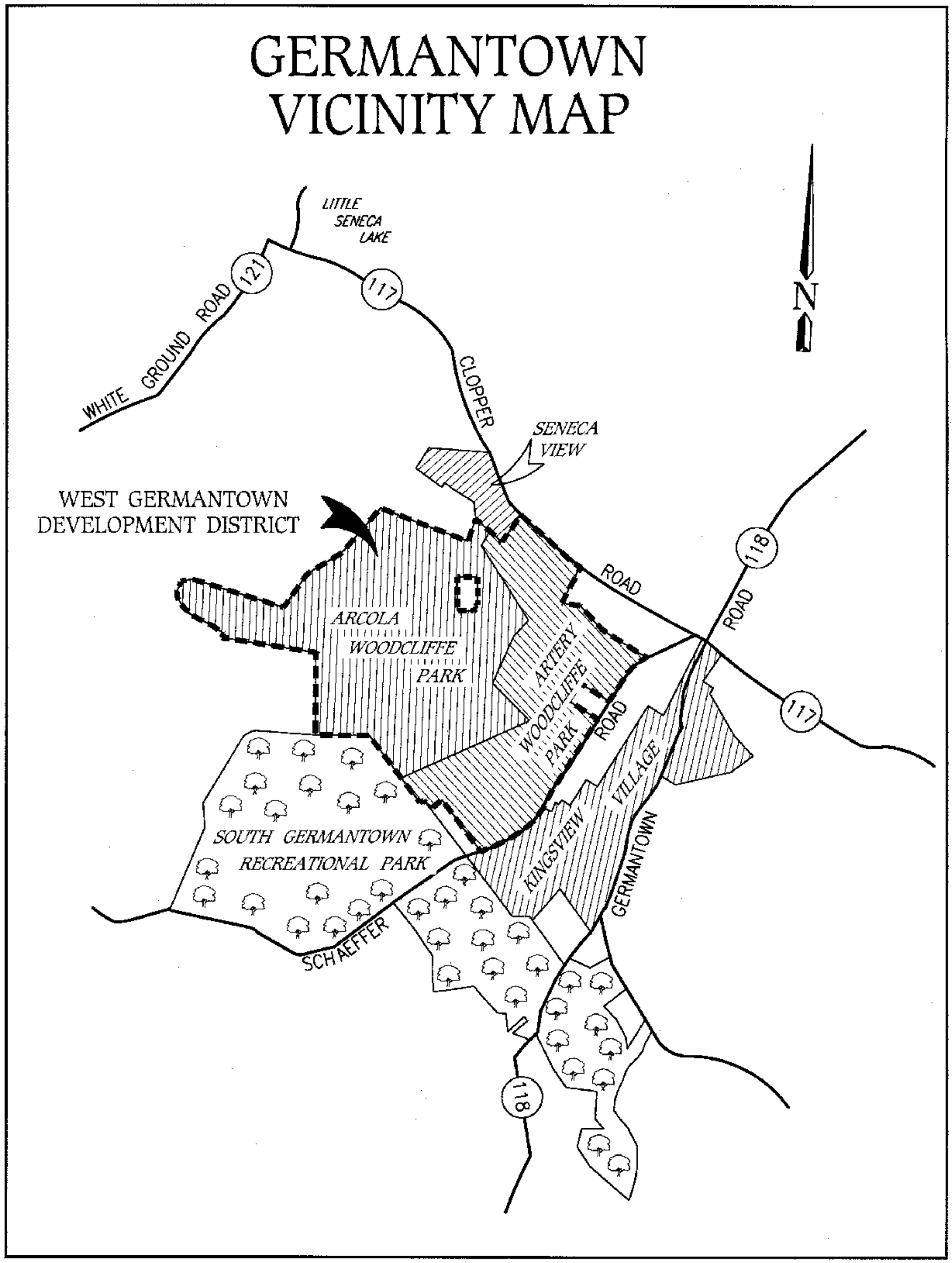


FIGURE 2

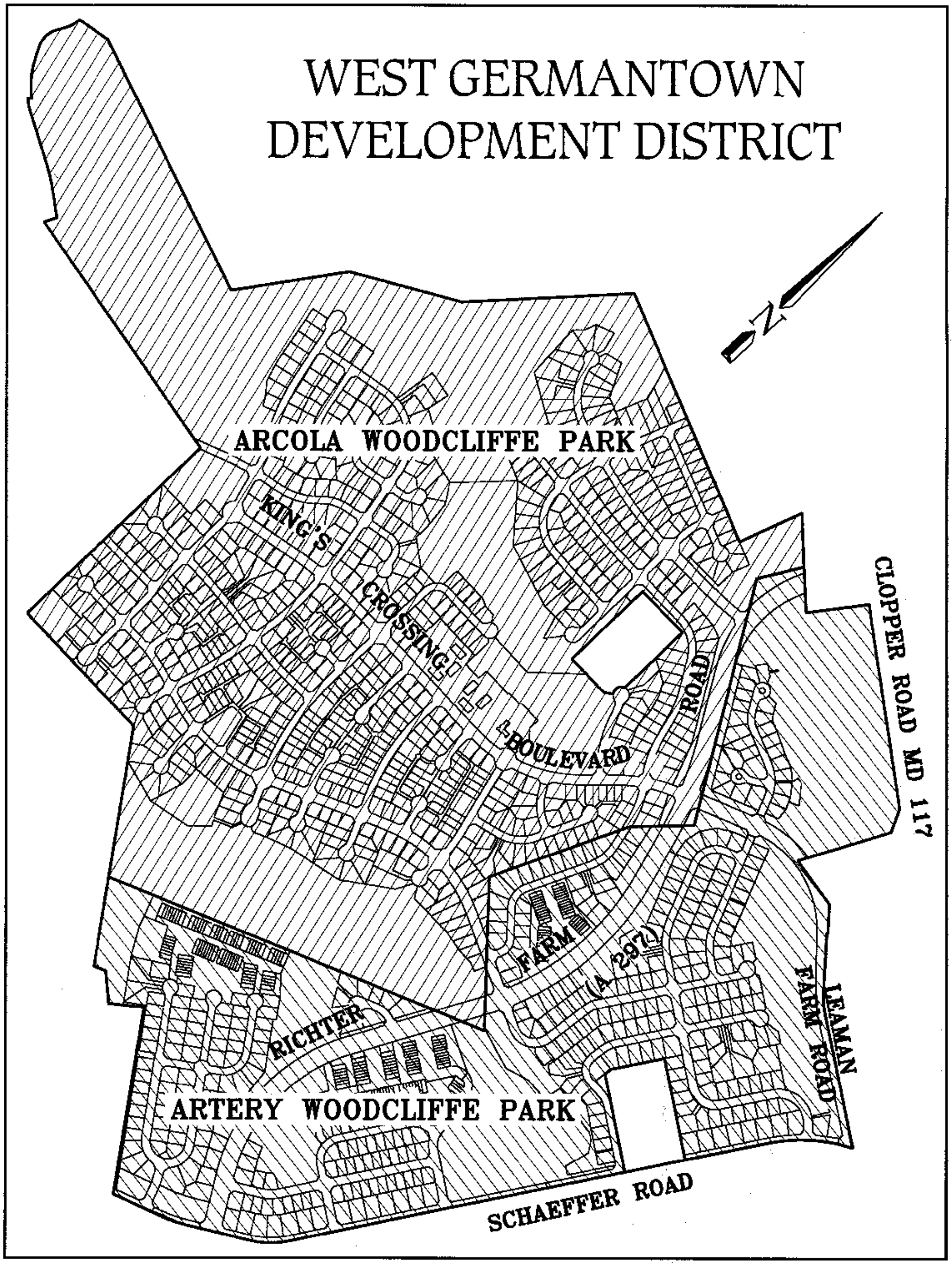
GERMANTOWN VICINITY MAP



97–09.DWG

FIGURE 3

WEST GERMANTOWN DEVELOPMENT DISTRICT MAP



M:/27120/97-07 JID

TABLE OF CONTENTS

OFFICIAL STATEMENT

$11,600,000
MONTGOMERY COUNTY, MARYLAND
SPECIAL OBLIGATION BONDS
(WEST GERMANTOWN DEVELOPMENT DISTRICT)
SENIOR SERIES 2002A

INTRODUCTION

This Official Statement, including the cover page and Appendices hereto, is provided to set forth certain information in connection with the issuance and sale of $11,600,000 aggregate principal amount of Montgomery County, Maryland, Special Obligation Bonds (West Germantown Development District) Senior Series 2002A (the “2002A Bonds”). The 2002A Bonds will be issued pursuant to Chapter 20A of the 1994 Montgomery County Code, as amended (the “State Act”) and Chapter 14 of the 1994 Montgomery County Code, as amended (the “County Act” and, together with the State Act, the “Acts”), Resolution No. 13-1135 adopted by the County Council for the County (the “County Council”) on January 13, 1998, as amended (the “Formation Resolution”), Resolution No. 13-1398 adopted by the County Council on August 4, 1998, as amended (the “Bond Resolution”), and an Indenture of Trust by and between Montgomery County, Maryland (the “County”) and Wachovia Bank, National Association, Richmond, Virginia, as trustee (the “Trustee”), dated as of April 1, 2002 (the “Indenture”).

Simultaneously with the issuance of the 2002A Bonds, the County will issue its $4,315,000 Special Obligation Bonds (West Germantown Development District) Junior Series 2002B (the “2002B Bonds” and, together with the 2002A Bonds, the “2002 Bonds”).

All capitalized terms used in this Official Statement that are defined in the Indenture and not defined herein shall have the respective meanings set forth in the Indenture. See Appendix B — Definitions and Summary of Certain Provisions of the Indenture.

THE 2002A BONDS ARE SPECIAL OBLIGATIONS OF THE COUNTY, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE SPECIAL TAXES AND SPECIAL ASSESSMENTS AND CERTAIN OTHER ASSETS AND REVENUES OF THE WEST GERMANTOWN DEVELOPMENT DISTRICT PLEDGED BY THE COUNTY UNDER THE INDENTURE, INCLUDING AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS HELD BY THE COUNTY AND THE TRUSTEE UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE 2002A BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION DEBT OF THE COUNTY OR A PLEDGE OF THE COUNTY'S FULL FAITH AND CREDIT OR TAXING POWER. THE 2002A BONDS ARE NOT AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF THE MONTGOMERY COUNTY CHARTER. EXCEPT FOR THE SPECIAL TAXES AND SPECIAL ASSESSMENTS, NO OTHER TAXES OR ASSESSMENTS ARE PLEDGED TO THE PAYMENT OF THE 2002A BONDS.

AS DESCRIBED HEREIN, THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002A BONDS AND ANY ADDITIONAL BONDS ISSUED UNDER THE INDENTURE IS SENIOR TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002B BONDS.

The West Germantown Development District (the “District”) was established by the County pursuant to the provisions of the Acts and consists of approximately 671 acres of land in the West Germantown area of the County. The District is located southwest of the intersection of Clopper Road (Maryland Route 117) and Germantown Road (Maryland Route 118) in the West Germantown area of the County. See Figure 1 — Site Vicinity Map on page ii.

The proceeds of the 2002A Bonds will be used (i) to finance a portion of the costs of acquisition of certain road, park and sewer improvements, (ii) to fund capitalized interest on the 2002A Bonds through July 1, 2002, (iii) to fund the 2002A Reserve Account for the 2002A Bonds, and (iv) to pay the costs of issuance of the 2002A Bonds. The proceeds of the 2002B Bonds will be used (i) to finance the remaining portion of the costs of acquisition of certain road, park and sewer improvements, (ii) to fund capitalized interest on the 2002B Bonds through July 1, 2002, (iii) to fund the 2002B Reserve Account for the 2002B Bonds, and (iv) to pay the costs of issuance of the 2002B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS".

The 2002A Bonds will be secured by (a) the proceeds of (i) special taxes (the "Special Taxes") to be levied on all taxable real property within the District and (ii) special assessments (the "Special Assessments") to be levied on all taxable undeveloped property within the District and (b) certain other assets and revenues of the District pledged by the County pursuant to the Indenture, including certain funds held by the County and the Trustee under the Indenture and interest earnings thereon, as and to the extent hereinafter described.

THE 2002A BONDS AND ANY ADDITIONAL BONDS ISSUED UNDER THE INDENTURE ARE SECURED BY A SENIOR LIEN ON AND A SENIOR PRIORITY INTEREST IN THE SPECIAL REVENUES, WHICH LIEN AND INTEREST IS SENIOR TO THE RIGHTS OF THE OWNERS OF THE 2002B BONDS, SUCH THAT THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002A BONDS AND ANY ADDITIONAL BONDS WILL BE PAID FROM THE SPECIAL REVENUES ON EACH DATE ON WHICH SUCH PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST IS DUE AND PAYABLE, PRIOR TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002B BONDS THEN DUE AND PAYABLE.

Asset Guaranty ("Asset Guaranty") has made a commitment to issue its financial guaranty insurance policy (the "Bond Insurance Policy") simultaneously with the delivery of the 2002A Bonds, insuring the payment of the principal of and interest on the 2002A Bonds when due. For further information concerning Asset Guaranty and the Municipal Bond Insurance Policy, see "MUNICIPAL BOND INSURANCE" and Appendix G, which contains a specimen of the Bond Insurance Policy.

Upon the issuance of the 2002 Bonds, there will be no other bonds outstanding which are secured by the Special Taxes and Special Assessments levied in the District. The Special Taxes and Special Assessments are collectively referred to herein as the "Special Revenues." See "SECURITY FOR THE 2002A BONDS — Special Taxes and Special Assessments and "THE DISTRICT — Methodology for Levying the Special Taxes and Special Assessments." Under certain circumstances, the County may issue Additional Bonds for the purpose of refunding all or a portion of the 2002 Bonds or obtaining funds necessary to finance or refinance the completion of the Improvements. Any such Additional Bonds will be secured by the Special Revenues and the other security provided under the Indenture on a parity with the 2002A Bonds, except that the Additional Bonds will not be secured by the Bond Insurance Policy or certain funds and accounts held under the Indenture. See "SECURITY FOR THE 2002A BONDS — Additional Bonds" and APPENDIX B -- Definitions and Summary of Certain Provisions of the Indenture.

The County has covenanted for the benefit of the Bondholders that the County will take action with respect to delinquencies in the payment of the Special Taxes and Special Assessments, including enforcement of the collection of such Special Taxes and Special Assessments, all as set forth in the Indenture. See "SECURITY FOR THE 2002A BONDS — Special Taxes and Special Assessments." The County is not required, nor does the County intend, to advance any of its own funds or any other moneys of the County in the event of a delinquency in the payment of the Special Taxes and Special Assessments.

As additional security for the 2002A Bonds, a 2002A Reserve Account will be established and funded with the proceeds of the 2002A Bonds in an amount equal to the Reserve Requirement for the 2002A Bonds. See "SECURITY FOR THE 2002A BONDS — Pledged Funds — Reserve Fund." As of the date of delivery of the 2002A Bonds, the Reserve Requirement for the 2002A Bonds is equal to $1,151,510.

The District comprises two adjoining developments ("Developments") which are being jointly marketed under the name "Woodcliffe Park" and which upon completion will collectively consist of 1,393 residential units, including 1,096 single family detached units, 195 single family attached (townhouse) units and 102 multi-family garden apartment units.

Prior to commencement of lot sales, approximately 414 acres of property in the District were owned by Arcola Investment Associates, a Virginia general partnership ("Arcola"). Arcola is developing this property into finished building lots for 714 single family detached units and 102 multi-family moderately priced dwelling units ("MPDUs") ("Arcola Woodcliffe Park"). Arcola commenced development of Arcola Woodcliffe Park in April 2000 and expects it to be substantially developed by the year 2004 based on the anticipated absorption of this development. As of December 31, 2001, all of the 816 lots originally owned by Arcola had been sold to homebuilders, including 276 lots that had been settled with homebuilders and an additional 154 lots that had been completed as finished lots and were available for take down by home builders under their purchase contracts. As of December 31, 2001, homebuilders in Arcola Woodcliffe Park had settled on approximately 134 homes with their home purchasers, with another 141 homes under contract. Since the commencement of lot sales activity in November 2000, Arcola has experienced an average lot absorption rate of approximately 60 lots per quarter, at an average sales price of $105,243 per single family detached lot, including escalations of 6% per year, and with the multifamily MPDU units sold at an equivalent price of $10,000 per unit. See Figure 3 — West Germantown Development District Map on page iv and "THE DEVELOPMENTS."

Prior to commencement of lot sales, approximately 252 acres of property in the District were owned by Artery Hoyles Mill, LLC, a Maryland limited liability company ("Artery"). Artery is developing this property into finished building lots for 577 residential units, including 382 single family detached units and 195 single family attached units (of which 81 will be MPDU units) ("Artery Woodcliffe Park"). Artery commenced development of Artery Woodcliffe Park in May 1998 and expects it to be substantially developed by the year 2005 based on the anticipated absorption of the lots in this development and the expected timing of development of the lots sold to Toll MD II, Limited Partnership, a limited purpose entity controlled by Toll Brothers, Inc. ("Toll LP"). As of December 31, 2001, except for 38 MPDU single family attached lots, all of the 577 lots originally owned by Artery had been sold and settled with homebuilders (including 223 lots which were sold in December 2000 prior to development in a bulk sales transaction with Toll LP). As of such date, Artery had substantially completed the development of 64 of the lots sold to Toll LP. The schedule for finishing the remaining lots provides for approximately 45 lots per year though July 2005 at the latest. As of December 31, 2001, homebuilders in Artery Woodcliffe Park had settled on approximately 304 homes with their home purchasers, with another 36 homes under contract. Since the commencement of lot sales activity in April 1999, not counting the Toll LP bulk sale, Artery has experienced an average lot absorption rate of approximately 30 lots per quarter, at an average base sales price of $83,313 per single family detached lot, $44,407 per market rate single family attached lot, and $15,500 (estimated) for the MPDU single family attached lots, with escalations of 4% per year. See Figure 3 — West Germantown Development District Map on page iv and "THE DEVELOPMENTS."

Artery and Arcola have entered into several joint agreements to provide for the management and control of certain public improvements benefitting Woodcliffe Park and the construction of common recreational facilities to serve the development. See "THE DEVELOPMENTS -- Development Plans and Schedules for the Developments -- Joint Agreements".

In addition, the District includes a five acre parcel of property owned by an unrelated third party that is located within the boundaries of Arcola Woodcliffe Park. This five acre parcel is currently improved with a single family residence and is exempt from the Special Taxes and Special Assessments pursuant to the Bond Resolution unless the parcel is developed further. No additional development is expected on this parcel. See "THE DISTRICT -- Methodology for Levying the Special Taxes and Special Assessments."

The projected share of the Special Taxes and Special Assessments payable by the Developers and Toll LP is estimated to be 59% in 2002-03, 30% in 2003-04, 10% in 2004-05 (Toll LP only), 7% in 2005-06 (Toll LP only), 3% in 2006-07 (Toll LP only), and 0% thereafter. See "SECURITY FOR THE 2002A BONDS--Projected Special Tax and/or Special Assessment Obligation by Property Owner".

The infrastructure improvements to be acquired with the proceeds of the 2002 Bonds consist of improvements to Richter Farm Road and Schaeffer Road, the construction of local parks and the Hoyles Mill pumping station and force main (the "Primary Improvements"). To the extent cost savings are realized in the acquisition of the Primary Improvements, the proceeds of the 2002 Bonds may be used to finance the acquisition of certain additional road and sewer improvements (the "Additional Improvements" and, together with the Primary Improvements, the "Improvements"). See "THE DISTRICT — The Improvements." To the extent cost savings are not realized, the Developers are still required to complete the Additional Improvements and will fund the costs of the Additional Improvements from other sources. See "THE DEVELOPMENTS — Financing the Developments." Pursuant to an Implementation Agreement dated as of April 1, 2002, the Developers and Woodcliffe Development District LLC ("Woodcliffe" and, together with the Developers, the "Implementation Parties") have agreed to construct the Improvements and the County has agreed, subject to the satisfaction of certain conditions, to purchase the Primary Improvements (and, to the extent cost savings are realized, Additional Improvements) when they are substantially complete from the Implementation Parties with the proceeds of the 2002 Bonds. See "THE DISTRICT — The Implementation Agreement." Woodcliffe is a Maryland limited liability company formed by the Developers to administer on behalf of the Developers certain aspects of the District and to facilitate disbursement of funds under the Implementation Agreement.

Pursuant to the Implementation Agreement, any Developer that is responsible for the payment of Special Taxes and Special Assessments equal to at least 10% of the Annual Debt Service on the 2002 Bonds is required to deliver to the County on the Closing Date a letter of credit in an amount equal to the maximum Special Taxes and Special Assessments projected to be levied for the 2002-2003 taxable year on properties located in the District owned by such Developer. Each of the foregoing letters of credit and any similar letter of credit delivered to the County by a builder is referred to herein as a "Tax Liability Letter of Credit". Upon the issuance of the 2002 Bonds, Arcola will be required to deliver a Tax Liability Letter of Credit to the County. Artery will not be required to deliver a Tax Liability Letter of Credit to the County on the Closing Date, because the estimated 2002-2003 Special Taxes and Special Assessments payable by Artery will be less than 10% of the Annual Debt Service on the 2002 Bonds. In addition, pursuant to the terms of the Implementation Agreement, if either Developer transfers title to more than 175 lots to any one party within any twelve month period, the County may require such transferee to deliver to the County Tax Liability Letter of Credit with substantially the same terms and conditions as the letter of credit delivered by Arcola. Prior to the issuance of the 2002A Bonds, Artery sold 223 lots to Toll LP and Toll LP has agreed to deliver a Tax Liability Letter of Credit to the County on the Closing Date in an amount equal to the maximum Special Taxes and Special Assessments projected to be levied for the 2002-2003 taxable year on properties located in the District owned by Toll LP. Each Tax Liability Letter of Credit will expire on the one year anniversary of its date of issuance and can be drawn on if not renewed during any period in which the account party is required to provide a Tax Liability Letter of Credit. In each taxable year, the stated amount of each Tax Liability Letter of Credit will be automatically and permanently reduced to the amount of Special Taxes and Special Assessments payable by the account party in such taxable year, upon the County's submission to the issuing bank of a Certificate of Reduction of Stated Amount or, if such Certificate is not submitted by November 1 of such taxable year, to the amount of Special Taxes and Special Assessments actually paid by the account party in the preceding taxable year. The obligation of an account party to maintain a Tax Liability Letter of Credit will terminate when the Special Taxes and Special Assessments payable by such account party are less than 10% of Annual Debt Service on the 2002 Bonds. A Tax Liability Letter of Credit may be drawn by the County upon the failure of the applicable account party to pay Special Taxes and/or Special Assessments on any property located within the District owned by such account party on or before September 30 of any year or upon the occurrence of certain other events. **Neither the Tax Liability Letters of Credit nor the proceeds of any draw thereunder are pledged to the payment of the 2002 Bonds.** Under certain circumstances, the County will apply the proceeds from a draw under a Tax Liability Letter of Credit to the liability of the applicable account party for unpaid Special Taxes and Special Assessments. See "THE DISTRICT — The Implementation Agreement — The Tax Liability Letters of Credit."

Total property taxes levied on real property in the District for fiscal year 2001-2002 is approximately $1,278,326. This amount does not include the Special Taxes and Special Assessments, which will be first levied in the 2002-2003 taxable year. The estimated breakdown of the $1,278,326 District tax bill referenced above is as follows: County - 72.41%; State - 8.21%; Maryland-National Capital Park and Planning Commission - 8.89%; Mass Transit - 4.89%; Fire - 2.67%; Recreation - 2.64%; Storm Drainage - .29%. The tax rates set forth above are based on the assessed valuation estimated by the Maryland State Department of Assessments and Taxation, which is equal to 100% of the market value of the property. See "SECURITY FOR THE 2002A BONDS — Special Taxes and Special Assessments -- Levy, Collection and Payment."

Appendix A sets forth the Bond Resolution, including a description of the method of calculating the Special Taxes and Special Assessments. Definitions of terms and a summary of certain provisions of the Indenture is set forth in Appendix B. The form of opinion of Bond Counsel is set forth in Appendix C. Appendix D sets forth certain economic and administrative information regarding the County. The form of the Developers' Continuing Disclosure Agreement is set forth in Appendix E. The form of the County's Continuing Disclosure Agreement is set forth in Appendix F. A specimen of the Asset Guaranty Bond Insurance Policy is set forth in Appendix G.

THE 2002A BONDS

General

The 2002A Bonds will be dated April 1, 2002, will bear interest from that date at the rates per annum and, subject to the redemption provisions set forth below, will mature on the dates set forth on the inside front cover of this Official Statement.

Interest on the 2002A Bonds will be computed on the basis of a 360-day year of twelve 30-day months and shall be due and payable on January 1 and July 1 of each year, commencing July 1, 2002 (each, an "Interest Payment Date"). Each 2002A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated on the Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, as of the date of authentication of any 2002A Bonds, interest thereon is in default, such 2002A Bonds will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

The 2002A Bonds are issuable only in fully registered book-entry form, in denominations of $5,000 and integral multiples thereof. So long as the 2002A Bonds are maintained in book-entry form payments of the principal of, premium, if any, and interest on the 2002A Bonds will be made as described below under "Book-Entry Only System." At any other time, interest on the 2002A Bonds will be payable by check mailed to the Bondholders in whose names the 2002A Bonds are registered as of the fifteenth day of the month preceding the applicable Interest Payment Date, whether or not a Business Day (or in the case of defaulted interest, as of a date fixed by the Trustee, notice of which shall be mailed first class postage prepaid, to the Bondholders not fewer than 10 days prior to such date, which date shall be at least 10 and not more than 15 days prior to the date fixed for payment thereof) at the address shown on the registration books kept by the Trustee, and will be paid, upon proper prior notification to the Trustee, by wire transfer to Bondholders of at least $1,000,000 in principal amount of the 2002 Bonds.

Redemption

Optional Redemption

The 2002A Bonds are subject to redemption prior to their stated maturity on and after January 1, 2012, in whole, at any time, or in part, on any Interest Payment Date, at the option of the County, at a redemption price as set forth below expressed as a percentage of the principal amount to be redeemed, together with interest accrued to the date fixed for redemption:

Redemption Dates (both dates inclusive)	Redemption Prices
January 1, 2012 through December 31, 2012	101 %
January 1, 2013 through December 31, 2013	100½
January 1, 2014 and thereafter	100

Mandatory Sinking Fund Redemption

The 2002A Bonds maturing on July 1, 2020 are subject to mandatory sinking fund redemption on July 1 in the years and in the amounts shown below, at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued to the date fixed for redemption, without premium, from sinking fund payments, as follows:

Redemption Date (July 1)	Principal Amount to be Redeemed	Redemption Date (July 1)	Principal Amount to be Redeemed
2013	$ 290,000	2017	$ 430,000
2014	325,000	2018	470,000
2015	355,000	2019	515,000
2016	395,000	2020*	560,000

* maturity date

The 2002A Bonds maturing on July 1, 2027 are subject to mandatory sinking fund redemption on July 1 in the years and in the amounts shown below, at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued to the date fixed for redemption, without premium, from sinking fund payments, as follows:

Redemption Date (July 1)	Principal Amount to be Redeemed	Redemption Date (July 1)	Principal Amount to be Redeemed
2021	$ 610,000	2025	$ 840,000
2022	665,000	2026	910,000
2023	720,000	2027*	2,130,000
2024	780,000		

* maturity date

If the 2002A Bonds are redeemed in part as a result of any other redemption provisions of the Indenture, the remaining sinking fund payments will be reduced by the principal amount of the 2002A Bonds so redeemed in inverse order of sinking fund payment date. With respect to the 2002A Bonds redeemed as a result of purchase in lieu of redemption, the County Representative may specify in writing that either (i) the remaining sinking fund payments will be reduced by the principal amount of the 2002A Bonds so purchased in inverse order of sinking fund payment date or (ii) the remaining sinking fund payments will be reduced to the amount obtained by multiplying each scheduled sinking fund payment by a fraction, the numerator of which is the amount of the 2002A Bonds outstanding following such purchase and the denominator of which is the amount of 2002A Bonds outstanding prior to such purchase, rounded to the nearest $5,000.

Extraordinary Optional Redemption from Improvement Fund Transfers

The 2002A Bonds are subject to extraordinary optional redemption prior to their stated maturity, in part, at a redemption price equal to the principal amount of the 2002A Bonds to be redeemed, without premium, together with interest accrued to the date fixed for redemption, on any Interest Payment Date following the transfer of funds from the 2002A Acquisition Account of the Improvement Fund to the 2002A Bond Account as designated by the County Representative in accordance with the Indenture. The Indenture provides that such transfers may be made at the option of the County Representative upon delivery by the County Representative to the Trustee of a certificate to the effect that the Implementation Agreement has been terminated in accordance with its terms and the County does not intend to pursue the completion of the Improvements, and all or any portion of the amounts on deposit in the 2002A Acquisition Account of the Improvement Fund are not expected to be expended for the purposes of such accounts, upon delivery by the County Representative to the Trustee of a certificate designating such amounts to be so transferred and used to redeem 2002A Bonds. In addition, the Indenture provides that transfers may be made for redemption of the 2002A Bonds after the Improvements have been completed and all costs of the Improvements have been paid. Amounts thus transferred from the Improvement Fund to the 2002A Bond Account will be used for redemption of 2002A Bonds if such amounts exceed $100,000 with any lesser amounts used to pay interest on the 2002A Bonds on the next Interest Payment Date.

Purchase of Bonds in Lieu of Redemption

In lieu of redemption, moneys in the 2002A Bond Account may be used and withdrawn by the Trustee for purchase of Outstanding 2002A Bonds, upon the filing with the Trustee of a certificate executed by the County Representative at least 65 days prior to redemption requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such certificate may provide, but in no event may 2002A Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2002A Bonds were to be redeemed in accordance with the foregoing provisions.

Selection of 2002A Bonds for Redemption

If fewer than all of the 2002A Bonds shall be called for redemption, the particular maturities of the 2002A Bonds to be redeemed shall be selected by the County. If fewer than all of the 2002A Bonds of any one maturity shall be called for redemption, the particular 2002A Bonds or portions of 2002A Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Trustee may determine, provided that each 2002A Bond remaining outstanding is in an Authorized Denomination. The portion of any 2002A Bonds to be redeemed pursuant to optional or mandatory sinking fund redemption shall be in units of an Authorized Denomination and, in selecting the 2002A Bonds to be redeemed, each 2002A Bond shall be treated as representing the number of 2002A Bonds that is obtained by dividing the principal amount of such 2002A Bond by the smallest Authorized Denomination. The portion of any 2002A Bonds to be redeemed pursuant to extraordinary redemption shall be in units of $5,000 and, in selecting the 2002A Bonds to be redeemed, each 2002A Bond shall be treated as representing the number of 2002A Bonds that is obtained by dividing the principal amount of such 2002A Bond by $5,000.

If it is determined that part but not all of an Outstanding 2002A Bond shall be selected for redemption, upon the presentation and surrender of such 2002A Bond to the Trustee for payment of the principal amount thereof so called for redemption in accordance with such 2002A Bond, the County shall execute and the Trustee shall authenticate and deliver to or upon the order of the registered owner of such 2002A Bond or his duly authorized attorney, without charge therefor, for the unredeemed portion of the principal amount of the 2002A Bond so surrendered, a 2002A Bond or 2002A Bonds of the same maturity, bearing interest at the same rate and of any Authorized Denomination, in aggregate principal amount equal to the unredeemed portion of such 2002A Bond.

Notwithstanding the foregoing, so long as the 2002A Bonds are maintained under a book-entry system, selection of the 2002A Bonds to be redeemed shall be made in the manner described below under "Book-Entry Only System."

Notice of Redemption

So long as the 2002A Bonds are held in book-entry form, notice of redemption will be mailed by the Trustee only to DTC and not to the Beneficial Owners of 2002A Bonds. Neither the County nor the Trustee is responsible for notifying the Beneficial Owners of any redemption of the 2002A Bonds. If the book-entry system is discontinued, the Trustee shall give notice of the redemption of the 2002A Bonds by first-class mail, postage prepaid to the Bondholders of the 2002A Bonds being redeemed. Such notice shall be given at least 30 days but no more than 60 days prior to the date fixed for redemption. The notice of redemption shall state the redemption date, the redemption price, and designate the CUSIP numbers and bond numbers of the 2002A Bonds to be redeemed. Neither the mailing of such notice, nor the actual receipt by any Bondholder of such notice of redemption shall be a condition precedent to redemption, and the failure to mail or to receive such notice or any defect therein shall not affect the validity of the proceedings for redemption of such 2002A Bonds. If any 2002A Bond is to be redeemed in part only, the notice of redemption that relates to such 2002A Bond shall state also that on or after the redemption date, upon surrender of such 2002A Bond to the Trustee at its Principal Office, a new 2002A Bond or 2002A Bonds, bearing interest at the same rate and of any Authorized Denomination will be issued in aggregate principal amount equal to the unredeemed portion of such 2002A Bond.

From and after the date fixed for redemption, if funds available for the payment of the principal, premium, if any, and interest on the 2002A Bonds so called for redemption have been duly provided, such 2002A Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the date fixed for redemption.

If on the date such notice is mailed, sufficient funds are not on deposit with the Trustee to pay the redemption price of all 2002 Bonds to be redeemed on the redemption date, such notice shall state that such redemption is conditioned upon the receipt by the Trustee of amounts equal to the redemption price of the 2002 Bonds to be redeemed on or before the redemption date, and if a notice of redemption contains such a statement, such optional redemption shall be so conditioned.

Transfer and Exchange of 2002A Bonds

So long as the 2002A Bonds are maintained in book-entry form, Beneficial Owners thereof will have no right to receive physical possession of the 2002A Bonds, and transfers of ownership interests in the 2002A Bonds will be made through book entries by DTC and the DTC Participants.

If the book-entry system is discontinued, any 2002A Bond may be exchanged for an equal aggregate principal amount of 2002A Bonds of other Authorized Denominations, and the transfer of any 2002A Bonds may be registered, upon presentation and surrender of such 2002A Bond at the Principal Office of the Trustee, together with an assignment duly executed by the Bondholder or his duly authorized attorney. The Trustee shall collect from the Bondholder requesting such exchange or transfer any tax or other governmental charge required to be paid in connection therewith. A new 2002A Bond or 2002A Bonds of like principal amount and in Authorized Denominations shall be delivered in exchange for any 2002A Bond or 2002A Bonds surrendered. The Trustee may decline to make such transfers (i) fifteen days prior to any date established for selection of 2002A Bonds for redemption, (ii) with respect to any 2002A Bond which has been selected for redemption or (iii) between the Record Date and the next succeeding Interest Payment Date.

Book-Entry Only System

The information in this section concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and neither the County nor the Underwriter takes any responsibility for the accuracy thereof.

DTC will act as securities depository for the 2002A Bonds. The 2002A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate of the 2002A Bonds will be issued for each maturity of the 2002A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating. the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 2002A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2002A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2002A Bond (the "Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the 2002A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2002A Bonds, except in the event that use of the book-entry system for the 2002A Bonds is discontinued.

To facilitate subsequent transfers, the 2002A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2002A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2002A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2002A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 2002A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2002A Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2002A Bonds. Under its usual procedures, DTC mails an omnibus proxy to the County as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2002A Bonds are credited on the Record Date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the 2002A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2002A Bonds at any time by giving reasonable notice to the County and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered as provided in the Indenture.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates are required to be printed and delivered as provided in the Indenture.

NEITHER THE COUNTY NOR THE TRUSTEE NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE BENEFICIAL OWNERS, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE, WITH RESPECT TO (I) THE PAYMENTS BY DTC, ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST ON THE 2002A BONDS; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (III) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS OWNER; OR (IV) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2002A BONDS.

BENEFICIAL OWNERS OF THE 2002A BONDS OR THOSE POSSESSING INTERESTS IN THE 2002A BONDS WILL NOT RECEIVE OR HAVE THE RIGHT TO RECEIVE PHYSICAL DELIVERY OF CERTIFICATES EVIDENCING THEIR OWNERSHIP INTEREST IN SUCH 2002A BONDS, AND WILL NOT BE OR CONSIDERED TO BE BONDHOLDERS THEREOF UNDER THE INDENTURE. SO LONG AS CEDE

& CO. IS THE REGISTERED OWNER OF THE 2002A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED BONDHOLDERS OF THE 2002A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS THEREOF.

The Trustee

Wachovia Bank, National Association, Richmond, Virginia, has been appointed as the Trustee for the 2002A Bonds under the Indenture. The Indenture does not provide for acceleration of the principal of or interest on 2002A Bonds upon the occurrence of an event of default under the Indenture. See Appendix B — Definitions and Summary of Certain Provisions of the Indenture for a description of the Events of Default under the Indenture, the rights and obligations of the Trustee pursuant to the Indenture and the remedies available to the Bond Insurer and the Bondholders upon the occurrence of an Event of Default.

DEBT SERVICE REQUIREMENTS

Year Ending	2002A Bonds		2002B Bonds		Total Annual
July 1	Principal	Interest	Principal	Interest	Debt Service
2002	$ ---	$ 153,330	$ ----	$ 72,276	$ 225,606
2003	75,000	613,320	5,000	289,105	982,425
2004	90,000	611,708	15,000	288,770	1,005,478
2005	110,000	609,098	20,000	287,765	1,026,863
2006	125,000	605,303	25,000	286,425	1,041,728
2007	145,000	600,553	35,000	284,750	1,065,303
2008	165,000	594,463	45,000	282,405	1,086,868
2009	190,000	587,285	55,000	279,390	1,111,675
2010	210,000	578,735	60,000	275,705	1,124,440
2011	235,000	569,075	75,000	271,685	1,150,760
2012	260,000	558,030	85,000	266,660	1,169,690
2013	290,000	545,550	95,000	260,965	1,191,515
2014	325,000	529,963	110,000	254,600	1,219,563
2015	355,000	512,494	125,000	247,230	1,239,724
2016	395,000	493,413	140,000	238,855	1,267,268
2017	430,000	472,181	160,000	229,475	1,291,656
2018	470,000	449,069	175,000	218,755	1,312,824
2019	515,000	423,806	195,000	207,030	1,340,836
2020	560,000	396,125	215,000	193,965	1,365,090
2021	610,000	366,025	240,000	179,560	1,395,585
2022	665,000	332,475	265,000	163,480	1,425,955
2023	720,000	295,900	290,000	145,725	1,451,625
2024	780,000	256,300	315,000	126,295	1,477,595
2025	840,000	213,400	345,000	105,190	1,503,590
2026	910,000	167,200	380,000	82,075	1,539,275
2027	2,130,000	117,150	845,000	56,615	3,148,765
TOTALS	$ 11,600,000	$ 11,651,948	$ 4,315,000	$ 5,594,751	$ 33,161,699

ESTIMATED SOURCES AND USES OF FUNDS
(excluding accrued interest)

SOURCES

Par Amount of 2002A Bonds	$11,600,000	
Less: Original Issue Discount	(135,267)	
Par Amount of 2002B Bonds	4,315,000	
Total Sources	$15,779,733	

USES

Deposits to Improvement Fund		
2002A Capitalized Interest Account	$ 130,595	(1)
2002B Capitalized Interest Account	62,052	(2)
2002A Acquisition Account	9,721,571	(3)
2002B Acquisition Account	3,090,720	(3)
Deposits to Reserve Fund		
2002A Reserve Account	1,151,510	(4)
2002B Reserve Account	431,500	(5)
Costs of Issuance	1,191,785	(6)
Total Uses	$15,779,733	

---

(1) Represents capitalized interest on the 2002A Bonds through July 1, 2002.

(2) Represents capitalized interest on the 2002B Bonds through July 1, 2002.

(3) Represents a portion of the estimated costs of acquisition of the Improvements. See "THE DISTRICT — The Improvements." Of this amount, approximately $10,071,833 is expected to be disbursed by the County on or about the Closing Date to pay the Purchase Price of Improvements pursuant to the Implementation Agreement. See 'THE DISTRICT -- The Implementation Agreement."

(4) Represents the Reserve Requirement for the 2002A Bonds. See "SECURITY FOR THE 2002A BONDS — Pledged Funds — Reserve Fund".

(5) Represents the Reserve Requirement for the 2002B Bonds. See "SECURITY FOR THE 2002A BONDS — Pledged Funds — Reserve Fund".

(6) Represents estimated costs to be incurred for the issuance of the 2002 Bonds, including bond counsel fees, Trustee fees, financial advisory fees, bond insurance fees and rating agency fees relating to the 2002A Bonds, County administrative and printing costs and Underwriter's discount of $151,193.

SECURITY FOR THE 2002A BONDS

General

THE 2002A BONDS ARE SPECIAL OBLIGATIONS OF THE COUNTY, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE SPECIAL TAXES AND SPECIAL ASSESSMENTS AND CERTAIN OTHER ASSETS AND REVENUES OF THE DISTRICT PLEDGED BY THE COUNTY UNDER THE INDENTURE, INCLUDING AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS HELD BY THE COUNTY AND THE TRUSTEE UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE 2002A BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION DEBT OF THE COUNTY OR A PLEDGE OF THE COUNTY'S FULL FAITH AND CREDIT OR TAXING POWER. THE 2002A BONDS ARE NOT AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF THE MONTGOMERY COUNTY CHARTER. EXCEPT FOR THE SPECIAL TAXES AND SPECIAL ASSESSMENTS, NO OTHER TAXES OR ASSESSMENTS ARE PLEDGED TO THE PAYMENT OF THE 2002A BONDS.

AS DESCRIBED HEREIN, THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002A BONDS AND ANY ADDITIONAL BONDS ISSUED UNDER THE INDENTURE IS SENIOR TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002B BONDS.

Special Taxes and Special Assessments

General

The primary source of payment for the 2002 Bonds is the Special Taxes and Special Assessments levied on real property located in the District. The Special Taxes will be levied upon all real property in the District (except for Exempt Property) at the rate that, when multiplied by the estimated assessment of all property in the District at full build-out, will result in Special Tax revenues at least equal to the Revenue Requirement. In determining the Special Tax rate, the County must assume that delinquencies do not increase the Revenue Requirement by more than 10%. Next, the County will multiply the Special Tax Rate by the actual assessment of all property in the District to determine the revenues that will be generated by the Special Tax. Prior to full build-out, the amount of Special Tax revenues will be less than the Revenue Requirement. The Special Assessments will be levied on all undeveloped real property in the District (except for Exempt Property) in an amount that will generate sufficient revenues, taking into account revenues generated from the Special Taxes, to cover the remaining Revenue Requirement. There is currently one parcel of Exempt Property in the District, totaling approximately five acres. See "THE DISTRICT — Methodology for Levying the Special Taxes and Special Assessments" and Appendix A — Bond Resolution. The principal of, premium, if any, and interest on the 2002A Bonds and any Additional Bonds are secured under the Indenture by a senior pledge of Special Taxes and Special Assessments collected by or on behalf of the County from property owners in the District, including all scheduled payments of Special Taxes and Special Assessments and amounts received from the collection of unpaid and delinquent Special Taxes and Special Assessments.

THE 2002A BONDS AND ANY ADDITIONAL BONDS ISSUED UNDER THE INDENTURE ARE SECURED BY A SENIOR LIEN ON AND A SENIOR PRIORITY INTEREST IN THE SPECIAL REVENUES, WHICH LIEN AND INTEREST IS SENIOR TO THE RIGHTS OF THE OWNERS OF THE 2002B BONDS, SUCH THAT THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002A BONDS AND ANY ADDITIONAL BONDS WILL BE PAID FROM THE SPECIAL REVENUES ON EACH DATE ON WHICH SUCH PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST IS DUE AND PAYABLE, PRIOR TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002B BONDS THEN DUE AND PAYABLE.

Levy, Payment and Collection

Pursuant to the Indenture, in each year the County Representative will determine the amount of Special Taxes and Special Assessments within the District required for the payment of principal of and interest on any Outstanding 2002 Bonds becoming due and payable during the ensuing Fiscal Year, including any necessary replenishment of the Reserve Accounts for the 2002 Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such Fiscal Year, taking into account the balances in the Special Fund and in the other funds and accounts held by the County and the Trustee under the Indenture. The County Representative will make such determination in accordance with the methodology set forth in the Bond Resolution. See "THE DISTRICT — Methodology for Levying the Special Taxes and Special Assessments" and Appendix A — Bond Resolution. The County Representative will send a written recommendation to the County Council as to the amount of any Special Taxes and/or Special Assessments to be levied for the ensuing Fiscal Year at such time so as to allow the County Council to make such levy prior to July 1 of such Fiscal Year.

The Special Taxes and Special Assessments are payable in the same manner and at the same time as the general ad valorem taxes on real property in the County, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general ad valorem taxes on real property in the County. The Special Taxes and Special Assessments are due and payable without interest on July 1 of each taxable year. Under current law, residents of owner-occupied residential property will pay the Special Taxes and Special Assessments in two installments on September 30 and December 31, without interest, unless the taxpayer opts out of the semiannual payment system and remains in the annual payment cycle. The first installment is due July 1 and is in arrears on October 1. The second installment is due December 1 and is in arrears on January 1. If the taxpayer opts out, the full tax payment is due on July 1, and is in arrears on October 1. Special Taxes and Special Assessments payable on non-owner-occupied residential property, including the property owned by the Developers and homebuilders, are delinquent if not paid in full on September 30 of each taxable year. Interest and penalties on delinquent Special Taxes and Special Assessments will accrue from the applicable due date. The Special Taxes and Special Assessments will appear on the same tax bill as a property owner's general ad valorem property taxes.

The assessment of all real property for purposes of property taxation by the County is the responsibility of the State Department of Assessments and Taxation. Real property is valued and assessed at 100% of full cash value (market value). One-third of the real property base is physically inspected and revalued once every three years. Any increase in full cash value arising from such reassessment is phased in over the ensuing three taxable years in equal annual installments, although a decline in assessed valuation becomes fully effective the first year.

In any year of a three-year cycle, real property will be revalued if substantially completed improvements are made which add at least $50,000 in value to the property. Such revaluation will occur on the January 1, April 1, July 1 or October 1 next succeeding the substantial completion of the improvements. The phased-in value for each of the years remaining in the three-year cycle will be adjusted to reflect the revaluation. Real property revalued on July 1 is subject to the payment of Special Taxes and Special Assessments for the full taxable year beginning on such July 1 and such amounts are due as described above. Real property revalued on October 1, January 1 or April 1 is subject to the payment of a portion of the Special Taxes and Special Assessments levied on such property for the full taxable year, computed by multiplying the new assessed valuation by three-quarters, one-half or one-quarter, respectively, of the Special Tax and Special Assessment rate applicable to the property. Such amounts are due on the revaluation date and are overdue 30 days after the tax bill is mailed or made available.

The County has covenanted in the Indenture that it will comply with the requirements of the Acts and all other applicable laws so as to assure timely collection of the Special Revenues, including without limitation, the enforcement of delinquent Special Taxes and Special Assessments. The County has further covenanted in the Indenture that it will order and cause to be commenced as described below, and thereafter diligently prosecute the collection (unless such delinquency is theretofore brought current) of any Special Taxes and Special Assessments or installment thereof not paid when due.

In the Indenture, the County has covenanted to take the following actions with respect to delinquent Special Taxes and Special Assessments:

(1) At least 30 days before a property is first advertised for sale, the Director of Finance shall send a notice of delinquent Special Assessments and/or Special Taxes to property owners in the District with unpaid Special Assessments or Special Taxes in accordance with State and County law.

(2) The Director of Finance shall advertise the affected properties within the District for tax sale in accordance with State and County law.

(3) On the 2nd Monday in June of each year, subject to the continuation of such sale as is allowed by law, all District properties with delinquent Special Assessments and/or Special Taxes shall be offered at tax sale in accordance with State and County law and duly adopted County procedures.

(4) By June 30 of each year, the Director of Finance shall deposit to the Special Fund all Special Taxes and Special Assessments collected at tax sale (including penalties and interest). In addition, the Director of Finance shall give written notice to the County Representative of any District properties for which no bids were received (sold to the County) or on which the tax sale process was stopped by a bankruptcy stay.

(5) In the event of a redemption of a District property after June 30 of any year, the Director of Finance shall deposit to the Special Fund the delinquent Special Taxes and Special Assessments (including penalties and interest) collected by the Director of Finance in connection with such redemption not later than the last day of the month immediately succeeding the month in which the redemption occurs.

(6) In the event that a property sold to the County is not redeemed, the Director of Finance shall give written notice to the County Representative when the County forecloses the right of redemption and takes title to the property and the County shall continue to make the property available for sale, subject, however, to County laws relating to the disposition of County property. Following receipt of such notice, the County Representative shall make adjustments to its books and records as necessary.

There is no assurance that the owners of real property in the District will be financially able to pay the annual Special Taxes and Special Assessments or that they will pay such amounts even if financially able to do so. The Special Taxes and the Special Assessments, when levied, will constitute a lien on parcels subject to taxation within the District which, in the event of a failure to pay such Special Taxes or Special Assessments, could lead to a tax sale of the applicable parcel and legal action against the property owner to enforce payment. In the event of the delinquency in the payment of any installment of Special Taxes or Special Assessments, the County is required to sell the real property at tax sale.

At least thirty days prior to the date a delinquent property is first advertised for tax sale, the County mails a notice of sale to the person who last appears as the owner on the County's tax rolls. The County publishes a listing of delinquent properties in one or more newspapers once a week for four successive weeks prior to the tax sale. The advertisement will include the amount of delinquent taxes, interest, and other delinquent charges, as well as an advertising fee and, if required, the cost of surveying and attorney's fees, plus an administration fee to cover the cost of holding the tax sale.

Each parcel of property taken to tax sale will be sold as an entirety. A sealed bid process is used. Bids may be submitted by mail, overnight delivery, by email or in person. No property will be sold for a sum less than the advertised price. When sold, the County's lien on the property passes to the bidder/purchaser. No later than the day following the sale, the bidder/purchaser is required to pay the full amount advertised, plus the high-bid premium described below.

At the time the advertisement is prepared, all delinquent tax accounts from the various election districts in the County are divided into property groups consisting of approximately the same number of properties. Bidders can bid on one property group, multiple property groups or on any number of individual properties from different groups. Bidders bidding on full groups are given priority over bidders seeking to purchase individual properties. Awards will be made first to the highest bidder on a full group of properties.

The County may establish a high-bid premium for all properties sold in groups and/or by a sealed bid process. This high-bid premium is 20% of the amount by which the bid exceeds 40% of the properties' full cash value. The high-bid premium is payable at the same time the successful bidder pays the tax sale amount. The County will refund the high-bid premium, without interest, to the holder of the tax sale certificate on redemption of the property or to the plaintiff in an action to foreclose the right of redemption on delivery of a tax sale deed for the property for which the high-bid premium was paid.

The foregoing paragraphs describe the County's tax sale procedures as in effect on the date of this Official Statement. Such procedures may be changed from time to time by the County.

The ability of the County to sell real property at tax sale may be limited in certain instances and may require the prior consent of the property owner in the event that property is owned by any receivership of the Federal Deposit Insurance Corporation. See “SPECIAL BONDHOLDERS’ RISKS.”

The Acts and the Bond Resolution specify that the Special Taxes and Special Assessments shall be levied, collected and are payable in the same manner as general ad valorem taxes and shall be subject to the same penalties and the same procedure, sale, and lien priority in the case of delinquency as is provided for general ad valorem property taxes. The Special Taxes and Special Assessments rank on a parity with general ad valorem property taxes and any proceeds from tax sale will be applied to the payment of any delinquent Special Taxes and Special Assessments and such delinquent general ad valorem property taxes on a pro rata basis.

No assurances can be given that the real property subject to sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Taxes or Special Assessments. The County is not required to purchase or otherwise acquire any lot or parcel of property offered for sale if there is no other purchaser at such sale. If there is no third party purchaser at the tax sale, and the County buys the property, the delinquent Special Taxes and Special Assessments and any additional Special Taxes and Special Assessments levied after the date of the sale will not be paid until the property is sold to a third party.

In determining the Special Tax rate each year, the County may increase the Special Tax Requirement (i.e., the aggregate amount required for debt service on the Bonds, replenishment of the Reserve Funds and Administrative Expenses) by up to 10% to cover delinquencies (plus an amount equal to available Reserve Funds earnings). Therefore, there is no assurance that the Special Taxes and Special Assessments which may be levied pursuant to the Bond Resolution will be at all times sufficient to pay debt service on the 2002A Bonds and to replenish any deficiency in the 2002A Reserve Fund.

See “SPECIAL BONDHOLDERS’ RISKS”.

Projected Special Tax and/or Special Assessment Obligation by Property Owner

The following table sets forth the projected Special Tax and/or Special Assessment obligation of the Developers, Toll LP and various other property owners in the District. There can be no assurance that these projections will be realized and the actual Special Taxes and Special Assessments payable by these property owners in future years may differ significantly from those set forth in the following table.

Projected Special Tax and/or Special Assessment Obligation by Property Owner

Estimated Special Tax and Special Assessment by Property Owner	Fiscal Year					
	2002-03*	**2003-04***	**2004-05***	**2005-06***	**2006-07***	**2007-08***
Arcola						
Special Tax & Assessment	$ 374,344	$ 147,845	$ ---	$ ---	$ ---	$ ---
%	40.0%	15.4%	0.0%	0.0%	0.0%	0.0%
Toll LP						
Special Tax & Assessment	$ 157,600	$ 122,250	$95,769	$ 67,446	$ 27,627	$ ---
%	16.8%	12.7%	9.8%	6.8%	2.7%	0.0%
Artery						
Special Tax & Assessment	$ 16,084	$ 15,829	$ ---	$ ---	$ ---	$ ---
%	1.7%	1.6%	0.0%	0.0%	0.0%	0.0%
Home Builders						
Special Tax & Assessment	$ 131,016	$ 126,229	$ 43,739	$ ---	$ ---	$ ---
%	14.0%	13.2%	4.5%	0.0%	0.0%	0.0%
Individual Home Owners						
Special Tax & Assessment	$ 257,147	$ 547,590	$ 842,129	$ 929,576	$ 993,501	$1,043,234
%	27.5%	57.1%	85.8%	93.2%	97.3%	100.0%
Total Special Tax & Assessment	$ 936,190	$959,742	$ 981,637	$ 997,022	$1,021,128	$1,043,234

* These estimates were made by MuniFinancial and include assumptions regarding assessed value and number of single family and multi-family units owned by each party. These assumptions were based on information in the Appraisal Report, information provided by Artery and Arcola, and other estimates. The actual Special Taxes and Special Assessments will not be known until the County Council adopts the Special Tax and Special Assessment rates prior to the beginning of each fiscal year.

Estimated Coverage of 2002A Bonds Debt Service

The following table sets forth the estimated debt service coverage for the 2002A Bonds. These estimates are based on certain estimates and assumptions. There can be no assurance that these estimates will be realized and the actual debt service coverage ratios for the 2002A Bonds may differ significantly from those set forth below.

ESTIMATED COVERAGE OF 2002A BONDS DEBT SERVICE

Year Ending July 1	$11,600,000 Series 2002A Debt Service	Estimated Admin. Expenses	Total Obligations	Projected Maximum Special Taxes & Assessments[1]	$1,151,510 Reserve Fund Income[2]	Total Income	Coverage[3]
2003	$688,320	$26,555	$714,875	$1,039,249	$51,818	$1,091,067	1.53
2004	$701,708	$27,086	$728,794	$1,094,517	$51,818	$1,146,335	1.57
2005	$719,098	$27,628	$746,725	$1,138,850	$51,818	$1,190,667	1.59
2006	$730,303	$28,180	$758,483	$1,168,874	$51,818	$1,220,692	1.61
2007	$745,553	$28,744	$774,296	$1,200,169	$51,818	$1,251,987	1.62
2008	$759,463	$29,319	$788,781	$1,227,805	$51,818	$1,279,623	1.62
2009	$777,285	$29,905	$807,190	$1,255,738	$51,818	$1,307,556	1.62
2010	$788,735	$30,503	$819,238	$1,270,438	$51,818	$1,322,256	1.61
2011	$804,075	$31,113	$835,188	$1,300,061	$51,818	$1,351,879	1.62
2012	$818,030	$31,736	$849,766	$1,321,568	$51,818	$1,373,386	1.62
2013	$835,550	$32,370	$867,920	$1,346,274	$51,818	$1,398,092	1.61
2014	$854,963	$33,018	$887,980	$1,377,838	$51,818	$1,429,656	1.61
2015	$867,494	$33,678	$901,172	$1,400,742	$51,818	$1,452,560	1.61
2016	$888,413	$34,352	$922,764	$1,431,781	$51,818	$1,483,599	1.61
2017	$902,181	$35,039	$937,220	$1,459,365	$51,818	$1,511,182	1.61
2018	$919,069	$35,740	$954,808	$1,483,420	$51,818	$1,535,238	1.61
2019	$938,806	$36,454	$975,261	$1,515,020	$51,818	$1,566,838	1.61
2020	$956,125	$37,183	$993,308	$1,542,501	$51,818	$1,594,319	1.61
2021	$976,025	$37,927	$1,013,952	$1,576,863	$51,818	$1,628,681	1.61
2022	$997,475	$38,686	$1,036,161	$1,611,105	$51,818	$1,662,923	1.60
2023	$1,015,900	$39,459	$1,055,359	$1,640,193	$51,818	$1,692,011	1.60
2024	$1,036,300	$40,249	$1,076,549	$1,669,628	$51,818	$1,721,446	1.60
2025	$1,053,400	$41,053	$1,094,453	$1,699,108	$51,818	$1,750,926	1.60
2026	$1,077,200	$41,875	$1,119,075	$1,739,265	$51,818	$1,791,082	1.60
2027	$2,247,150	$42,712	$2,289,862	$3,510,625	$1,203,328	$4,713,953	2.06

1. Based upon Developed Property constituting 30% of assessed value in 2003; 60% in 2004; 80% in 2005; 92.5% in 2006; 97% in 2007 and 100% thereafter. The Projected Maximum Special Taxes and Assessments for each tax year are the maximum amounts that can be levied in such year, assuming a 10% default rate and no income on the Reserve Accounts. The County may choose to levy only the amount necessary to pay debt service, taking into account amounts available under the Indenture, including income on the Reserve Accounts.
2. Assuming 4.50% earnings rate.
3. Equals Total Income divided by Total Obligations.

Note: Projected Special Taxes and Special Assessments are based on estimates of assessed value and assumptions regarding the development of property in the District. There can be no assurance that these estimates and assumptions will be realized.

Pledged Funds

Special Fund

The Formation Resolution established the West Germantown Development District Special Fund (the "Special Fund"). The County will hold and invest the Special Fund in accordance with the Indenture for the benefit of the Bondholders and has granted a lien on the Special Fund to secure the payment of the 2002A Bonds.

THE 2002A BONDS AND ANY ADDITIONAL BONDS ISSUED UNDER THE INDENTURE ARE SECURED BY A SENIOR LIEN ON AND A SENIOR PRIORITY INTEREST IN THE SPECIAL FUND, WHICH LIEN AND INTEREST IS SENIOR TO THE RIGHTS OF THE OWNERS OF THE 2002B BONDS, SUCH THAT THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002A BONDS AND ANY ADDITIONAL BONDS WILL BE PAID FROM THE SPECIAL FUND ON EACH DATE ON WHICH SUCH PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST IS DUE AND PAYABLE, PRIOR TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2002B BONDS THEN DUE AND PAYABLE.

Pursuant to the Indenture, the County has covenanted to deposit all Special Revenues received by the County into the Special Fund. Special Revenues include all scheduled payments of Special Taxes and Special Assessments and the proceeds of the redemption or sale of property sold at tax sale, including any penalties collected in connection with delinquent Special Taxes or Special Assessments. Special Revenues do not include any administrative expenses collected by the County in connection with delinquent Special Taxes or Special Assessments.

As soon as practicable following receipt, all Special Revenues shall be deposited by the County into the Special Fund. The County shall withdraw from the Special Fund and transfer the following amounts, on the following dates, in the following order of priority: (i) at least five days before each Interest Payment Date, to the Trustee for deposit to the 2002A Bond Account an amount, taking into account any amounts then on deposit in the 2002A Bond Account, such that the amount in the 2002A Bond Account equals the principal (including any sinking fund payment), premium, if any, and interest due on the 2002A Bonds on such Interest Payment Date, (ii) at any time upon receipt of notice from the Trustee of a deficiency in the 2002A Reserve Account, to the Trustee for deposit to the 2002A Reserve Account, the amounts required to be deposited into the 2002A Reserve Account and described under the caption "— Reserve Fund" below, until the amount in the 2002A Reserve Account is equal to the Reserve Requirement for the 2002A Bonds, (iii) at least five days before each Interest Payment Date, to the Trustee for deposit to the 2002B Bond Account an amount, taking into account any amounts then on deposit in the 2002B Bond Account, such that the amount in the 2002B Bond Account equals the principal (including any sinking fund payment), premium, if any, and interest due on the 2002B Bonds on such Interest Payment Date, and (iv) at any time upon receipt of notice from the Trustee of a deficiency in the 2002B Reserve Account, to the Trustee for deposit to the 2002B Reserve Account, the amounts required to be deposited into the 2002B Reserve Account and described in Appendix C — Definitions and Summary of Certain Provisions of the Indenture — Funds and Accounts — Reserve Fund, until the amount in the 2002B Reserve Account is equal to the Reserve Requirement for the 2002B Bonds. If all transfers required by clauses (i) and (iii) of the preceding sentence have been made and the amount on deposit in the Reserve Fund, is at least equal to the Reserve Requirement for the Bonds, then amounts on deposit in the Special Fund equal to the Administrative Expenses due for the next ensuing year plus any Administrative Expenses then due and payable (all as reflected in a certificate of the County Representative delivered to the Trustee), shall be withdrawn by the County from the Special Fund and used to pay Administrative Expenses from time to time.

The Trustee shall deposit moneys received from the County (i) first, to the 2002A Bond Account in the amount required to make the amount on deposit in the 2002A Bond Account equal to the principal of, premium, if any, and interest payable on the 2002A Bonds on the next succeeding Interest Payment Date, (ii) second, to the 2002A Reserve Account, the amounts required to be deposited into the 2002A Reserve Account and described under the caption "— Reserve Fund" below, until the amount on deposit in the 2002A Reserve Account is equal to the Reserve Requirement for the 2002A Bonds, (iii) third, to the 2002B Bond Account in the amount required to make the amount on deposit in the 2002B Bond Account equal to the principal of, premium, if any and interest payable on the 2002B Bonds on the next Interest Payment Date, and (iv) fourth, to the 2002B Reserve Account, the amounts required to be deposited into the 2002B Reserve Account and described in Appendix C — Definitions and Summary of Certain Provisions of the Indenture — Funds and Accounts — Reserve Fund, until the amount on deposit in the 2002B Reserve Account is equal to the Reserve Requirement for the 2002B Bonds.

Reserve Fund

The Indenture establishes a Reserve Fund to be held by the Trustee. The Reserve Fund contains the 2002A Reserve Account and the 2002B Reserve Account. Moneys in the 2002A Reserve Account shall be held in trust solely for the benefit of, and shall be subject to a lien solely in favor of, the Bondholders of the 2002A Bonds. Moneys in the 2002B Reserve Account shall be held in trust solely for the benefit of, and shall be subject to a lien solely in favor of, the Bondholders of the 2002B Bonds. **The 2002B Reserve Account will secure only the 2002B Bonds and will not be available to pay amounts due with respect to the 2002A Bonds.**

The Indenture provides that the 2002A Reserve Account must be maintained in an amount equal to the Reserve Requirement for the 2002A Bonds. The Reserve Requirement for the 2002A Bonds is, as of any date of calculation, an amount equal to the lesser of: (i) Maximum Annual Debt Service for the 2002A Bonds through the final maturity date of any 2002A Bonds as of the date of determination, (ii) 125% of Average Annual Debt Service on the 2002A Bonds as of the date of determination, or (iii) 10% of the initial principal amount of the 2002A Bonds.

Initially, the Reserve Requirement for the 2002A Bonds is equal to $1,151,510, which is equal to 125% of Average Annual Debt Service of the 2002A Bonds.

All amounts deposited in the 2002A Reserve Account shall be used by the Trustee solely for the purpose of (i) making transfers to the 2002A Bond Account in the event of any deficiency on any Interest Payment Date in the 2002A Bond Account of the amount required for payment of the principal of (including sinking fund payments), and interest and any premium on, the 2002A Bonds, (ii) making transfers as described below whenever the amount then on deposit in the 2002A Reserve Account exceeds the Reserve Requirement for the 2002A Bonds or (iii) making transfers as described below to the 2002A Bond Account for the purpose of paying the principal or interest due on all of the outstanding 2002A Bonds.

At any time upon receipt of notice from the Trustee of a deficiency in the 2002A Reserve Account, the County shall withdraw monies from the Special Fund and transfer them to the Trustee for deposit to the 2002A Reserve Account such that (i) if the deficiency resulted upon a quarterly valuation, such deficiency shall be replenished in three equal monthly payments prior to the next succeeding valuation date and (ii) if such deficiency resulted from a withdrawal from the 2002A Reserve Account, such deficiency must be replenished within the next succeeding twelve months. There can be no assurance that the maximum Special Taxes and Special Assessments which may be levied pursuant to the Bond Resolution will be sufficient to cure any deficiencies in the 2002A Reserve Account.

Amounts on deposit in the 2002A Reserve Account in excess of the Reserve Requirement for the 2002A Bonds, either as the result of a decrease in the Reserve Requirement for the 2002A Bonds or because of a "surplus" following the valuation of the amounts on deposit in the 2002A Reserve Account, shall be withdrawn therefrom and transferred first, to the County, in an amount equal to the Administrative Expenses due for the next ensuing year plus any Administrative Expenses then due and payable (as reflected in a certificate of the County Representative), and second, to the 2002A Bond Account to be used for the payment of interest on the 2002A Bonds on the next Interest Payment Date.

Whenever the balance in the 2002A Reserve Account is sufficient, together with other moneys under the Indenture available for such purpose, to retire all of the outstanding 2002A Bonds, the 2002A Reserve Account will be liquidated for the retirement of such 2002A Bonds.

Improvement Fund

The Indenture establishes an Improvement Fund and within such fund a 2002A Capitalized Interest Account, a 2002B Capitalized Interest Account, a 2002A Acquisition Account and a 2002B Acquisition Account, to be held in trust by the Trustee. Pending disbursement, (i) amounts in the 2002A Acquisition Account and the 2002A Capitalized Interest Account shall be subject to a lien solely in favor of the holders of the 2002A Bonds and (ii) amounts in the 2002B Acquisition Account and the 2002B Capitalized Interest Account shall be subject to a lien solely in favor of the holders of the 2002B Bonds. **Amounts in the 2002B Acquisition Account and the 2002B Capitalized Interest Account will secure only the 2002B Bonds and will not be available to pay amounts due with respect to the 2002A Bonds.**

2002A Capitalized Interest Account. Upon the issuance of the 2002A Bonds, the Trustee will deposit $130,595 of bond proceeds into the 2002A Capitalized Interest Account of the Improvement Fund. Amounts in the 2002A Capitalized Interest Account will be used to pay interest on the 2002A Bonds through July 1, 2002. Any interest earnings on moneys held in the 2002A Capitalized Interest Account will be retained in the 2002A Capital Interest Account and used for the purposes of such account.

2002A Acquisition Account. Upon the issuance of the 2002A Bonds, the Trustee will deposit $9,721,571 of 2002A Bond proceeds into the 2002A Acquisition Account of the Improvement Fund. Monies deposited in the 2002A Acquisition Account on the date of closing will be available to pay the costs of acquisition of the Improvements upon receipt by the Trustee of a fully executed payment request from the County Representative. Each payment request submitted by the County will direct the Trustee to withdraw 73% of the total amount of such payment request from the 2002A Acquisition Account and the remainder from the 2002B Acquisition Account. The County Representative will direct the Trustee to disburse amounts from the Acquisition Accounts upon receipt of Payment Requests from the Developers meeting the requirements of the Implementation Agreement. See "THE DISTRICT — The Implementation Agreement." Under certain circumstances, amounts in the 2002A Acquisition Account may be used by the County to complete the Improvements, to pay debt service on the 2002A Bonds or to redeem the 2002A Bonds prior to their maturity. See "THE 2002A BONDS — Redemption" and Appendix B — Definitions and Summary of Certain Provisions of the Indenture — Improvement Fund. Earnings on the 2002A Acquisition Account will be retained in the 2002A Acquisition Account and used for the purposes of such account.

Tax Liability Letters of Credit

Pursuant to the Implementation Agreement, any Developer that is responsible for the payment of Special Taxes and Special Assessments equal to at least 10% of the Annual Debt Service on the 2002 Bonds is required to deliver to the County on the Closing Date a letter of credit in an amount equal to the maximum Special Taxes and Special Assessments projected to be levied for the 2002-2003 taxable year on properties located in the District owned by such Developer. Each of the foregoing letters of credit and any similar letter of credit delivered to the County by a builder is referred to herein as a "Tax Liability Letter of Credit". Upon the issuance of the 2002 Bonds, Arcola will be required to deliver a Tax Liability Letter of Credit to the County. Artery will not be required to deliver a Tax Liability Letter of Credit to the County on the Closing Date, because the estimated 2002-2003 Special Taxes and Special Assessments payable by Artery will be less than 10% of the Annual Debt Service on the 2002 Bonds. In addition, pursuant to the terms of the Implementation Agreement, if either Developer transfers title to more than 175 lots to any one party within any twelve month period, the County may require such transferee to deliver to the County Tax Liability Letter of Credit with substantially the same terms and conditions as the letter of credit delivered by Arcola. Prior to the issuance of the 2002A Bonds, Artery sold 223 lots to Toll LP and Toll LP has agreed to deliver a Tax Liability Letter of Credit to the County on the Closing Date in an amount equal to the maximum Special Taxes and Special Assessments projected to be levied for the 2002-2003 taxable year on properties located in the District owned by Toll LP.

Each Tax Liability Letter of Credit will expire on the one year anniversary of its date of issuance and can be drawn on if not renewed during any period in which the account party is required to provide a Tax Liability Letter of Credit. In each taxable year, the stated amount of each Tax Liability Letter of Credit will be automatically and permanently reduced to the amount of Special Taxes and Special Assessments payable by the account party in such taxable year, upon the County's submission to the issuing bank of a Certificate of Reduction of Stated Amount or, if such Certificate is not submitted by November 1 of such taxable year, to the amount of Special Taxes and Special Assessments actually paid by the account party in the preceding taxable year. The obligation of an account party to maintain a Tax Liability Letter of Credit will terminate when the Special Taxes and Special Assessments payable by such account party are less than 10% of Annual Debt Service on the 2002 Bonds. A Tax Liability Letter of Credit may be drawn by the County upon the failure of the applicable account party to pay Special Taxes and/or Special Assessments on any property located within the District owned by such account party on or before September 30 of any year or upon the occurrence of certain other events. **Neither the Tax Liability Letters of Credit nor the proceeds of any draw thereunder are pledged to the payment of the 2002 Bonds.** Under certain circumstances, the County will apply the proceeds from a draw under a Tax Liability Letter of Credit to the liability of the applicable account party for unpaid Special Taxes and Special Assessments. See "THE DISTRICT — The Implementation Agreement — The Tax Liability Letters of Credit."

Value-to-Lien Ratios

The estimated value-to-lien ratios upon the issuance of the 2002A Bonds and at completion and sale of all homes expected to be constructed in the Developments are as follows:

	Value &/or Sales Price[1]	Attributable 2002A Bond (Lien) Amount	Value-to-lien[2]
Estimate of market value of remaining lot inventory assuming funding of public infrastructure through Bond proceeds	$37,570,000	$4,837,000[3]	7.8 to 1
Aggregate sales price of sold lots/single family homes as of 1/1/02	$150,506,143	$6,763,000[3]	22.3 to 1
Sum of market value/aggregate sale prices	$188,076,143	$11,600,000	16.2 to 1
Estimate of market value upon completion and sale of all homes	$390,000,000[4]	$11,600,000	33.6 to 1

1 Based upon an appraisal of the real property in the District, dated February 1, 2002 (the "Appraisal Report") prepared by James C. Feeney, MAI of Lipman Frizzell & Mitchell LLC, Columbia, Maryland, except as noted. The purpose of the Appraisal Report was to estimate the market value of the remaining land inventory in the District, as is (the "Appraised Property") based on certain development assumptions, including the assumption that all public infrastructure necessary for the District (including the Improvements) is funded and to determine the aggregate sales price of all lots sold to builders but as yet unimproved by dwellings and all single family detached homes or townhouses sold to homeowners and settled prior to January 1, 2002, in each case located in the District (the "Sold Property").

2 These amounts have been calculated in accordance with the following formula: 2002-2003 Special Taxes and Special Assessments projected to be payable by the property owner divided by the total 2002-2003 Special Taxes and Special Assessments projected to be levied in the District times the aggregate principal amount of the 2002A Bonds.

3 Based upon the distribution of ownership as of January 1, 2002 as shown in the Appraisal Report and certain assumptions as to the rates for Special Taxes and Special Assessments for the fiscal year beginning July 1, 2002. The actual rates will not be known until the County Council adopts the Special Tax and Special Assessment rates for fiscal year 2002-03 prior to the beginning of that fiscal year.

4 Based upon the average sales price of $280,000 for the 438 homes sold through December 31, 2001 as shown in the Appraisal Report.

Note: The sum of the market value of the Appraised Property and aggregate sales prices of the Sold Property is not intended to represent a market value conclusion but is simply the addition of two figures.

No assurance can be given that the foregoing ratios can be realized or will be maintained during the period of time that the 2002A Bonds are outstanding, because the value of the property in the District could decrease and the ratio of the value of the property within the District to the lien of the Special Taxes and Special Assessments on such property could decrease proportionately.

Additional Bonds

Under certain conditions set forth in the Indenture, the County may issue Additional Bonds for the purpose of refunding or advance refunding any Outstanding 2002 Bonds or obtaining funds necessary to finance or refinance the completion of the Improvements. Any such Additional Bonds will be secured by the Special Revenues and the other security provided under the Indenture on a parity with the 2002A Bonds, except that the Additional Bonds will not be secured by the Bond Insurance Policy or certain funds and accounts held under the Indenture.

As a condition to the issuance of Additional Bonds, either (A) the assessed value of all parcels of real property in the District subject to the levy of the Special Taxes and Special Assessments and not delinquent in the payment of any Special Taxes and Special Assessments then due and owing as of the immediately preceding January 1 must be at least 20 times the sum of: (I) the aggregate principal amount of all Bonds then Outstanding, less the principal amount of any Outstanding Bonds that will not be Outstanding upon the issuance of such Additional Bonds and (II) the aggregate principal amount of the Series of Additional Bonds proposed to be issued or (B) if such Additional Bonds are issued for the purpose of refunding all or any portion of the Outstanding Senior Bonds, Maximum Annual Debt Service must not be increased.

The County has agreed in the Indenture that, upon receipt by the County of, among other things, satisfactory written evidence that the assessed value requirements set forth in the immediately preceding paragraph will be met, it will use its best efforts to issue Additional Bonds in exchange for all of the outstanding Series 2002B Bonds. Such Additional Bonds shall be on a parity with, and shall be entitled to the same benefit and security of the Indenture, including (without limitation) the pledge of the Special Revenues made thereby, as the 2002A Bonds and any other series of Additional Bonds that may be issued from time to time thereunder and shall be issued in the same principal amount, bear interest at the same rate, mature on the same date and, except as set forth in the Indenture, otherwise have the same terms and provisions as the outstanding Series 2002B Bonds.

See APPENDIX B — Definitions and Summary of Certain Provisions of the Indenture — Additional Bonds.

MUNICIPAL BOND INSURANCE

Description of Bond Insurance Policy

A financial guaranty insurance policy (the “Bond Insurance Policy”) will be issued by Asset Guaranty Insurance Company (the “Bond Insurer”) simultaneously with the issuance and delivery of the 2002A Bonds. The Bond Insurance Policy is noncancelable during its term and provides for the prompt payment of principal of and interest on the 2002A Bonds to the extent that the Trustee has not received sufficient funds from the County for payment of the 2002A Bonds on the “due date.” The Bond Insurer is obligated to make the required payment on the later of the due date or the first business day after which the Bond Insurer has received notice from The Bank of New York, as Insurance Trustee (the “Insurance Trustee”), that the County has failed to pay amounts due on the Bonds. Under the Bond Insurance Policy, the “due date” of the 2002A Bonds, when referring to the payment of principal, means the stated maturity date thereof or the date on which payment of principal is due by reason of mandatory sinking fund payments and does not mean any earlier date on which payment is due by reason of any call for redemption, acceleration, or other advancement of maturity, other than in the discretion of the Bond Insurer. With respect to interest on the 2002A Bonds, the “due date” means the stated date for payment of interest. The Bond Insurance Policy guarantees reimbursement of any recovery of any such payment from a Holder or the Trustee pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

For specific information on the coverage provided, reference should be made to the Bond Insurance Policy that has been reproduced in specimen form in Appendix G hereto. The Bond Insurance Policy does not insure against nonpayment of principal or interest on the 2002A Bonds due to the insolvency, misconduct or negligence of the Trustee. The Bond Insurance Policy does not insure the payment of any redemption premium.

Asset Guaranty Insurance Company

The Bond Insurer is a financial guaranty insurance company, regulated by the Insurance Department of the State of New York (the “Insurance Department”) and is domiciled in that State. The Insurance Department accepted and, as of January 1, 2002, made effective in New York a change in the corporate name of the Bond Insurer from Asset Guaranty Insurance Company to “Radian Asset Assurance, Inc.”. The Bond Insurer is in the process of filing applications for a change in corporate name with insurance regulatory authorities in each of the states and foreign jurisdictions where it is licensed to transact business. The Bond Insurer expects that the corporate name change to Radian Asset Assurance, Inc. will be effective in all jurisdictions where it is licensed by April 30, 2002.

As of September 30, 2001, the Bond Insurer had total shareholders’ equity of approximately $196,619,000 (unaudited) and total assets of approximately $423,226,000 (unaudited). The financial information relating to the Bond Insurer presented in this Official Statement was prepared internally by the Bond Insurer, based on generally accepted accounting principles, and has not been audited by independent certified public accountants. The address of the Bond Insurer’s administrative office is 335 Madison Avenue, New York, New York 10017, and its telephone number is 212-983-5859.

The Bond Insurer has filed the following information with entities designated as Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”) pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934:

(i) the Bond Insurer’s consolidated financial statements as of December 31, 2000 and 1999 prepared in accordance with generally accepted accounting principles and an independent auditor’s report relating to those statements;

(ii) the Bond Insurer’s quarterly unaudited consolidated balance sheet as of March 31, 2001 and unaudited consolidated statement of operations for the three month period then ended, prepared in accordance with generally accepted accounting principles;

(iii) the Bond Insurer’s quarterly unaudited consolidated balance sheet as of June 30, 2001 and unaudited consolidated statement of operations for the six month period then ended, prepared in accordance with generally accepted accounting principles; and,

(iv) the Bond Insurer’s quarterly unaudited consolidated balance sheet as of September 30, 2001 and unaudited consolidated statement of operations for the nine month period then ended, prepared in accordance with generally accepted accounting principles.

The Bond Insurer is a wholly owned indirect subsidiary of, Radian Group Inc. (“Radian”), a publicly-owned corporation with its shares listed on the New York Stock Exchange (symbol “RDN”). Radian is the parent company of Radian Guaranty Inc. and ExpressClose.com. Radian's products and services enable homebuyers to purchase homes more quickly and with smaller downpayments, protect lenders against loan default, and lower the costs of mortgage origination and servicing. None of Radian, Radian’s other subsidiaries or any of Radian’s investors is obligated to pay the debts of or claims against the Bond Insurer. A complete copy of the December 31, 2000 audited consolidated financial statements and additional information of Radian, together with the accompanying report of their respective independent auditors, is available from the Bond Insurer upon written request.

Neither the Bond Insurer nor any of its affiliates makes any representation regarding the 2002A Bonds or the advisability of purchasing the 2002A Bonds and makes no representation regarding this Official Statement other than as to the information supplied by the Bond Insurer and presented under the heading “MUNICIPAL BOND INSURANCE” and as set forth in Appendix G of this Official Statement. The Bond Insurer’s role is limited to providing the coverage set forth in the Bond Insurance Policy.

The information under the heading “MUNICIPAL BOND INSURANCE” has been obtained from the Bond Insurer and neither the County nor the Underwriter take any responsibility for the accuracy thereof.

THE DISTRICT

Introduction

The Acts were enacted to provide a method of financing certain infrastructure improvements through the creation of development districts. The Acts provide for the creation of such development districts by the County upon petition by the owners of at least 80% of the assessed valuation of the real property located within the development district and at least 80% of the owners of the real property located within the development district. Upon the creation of the development district, the County may issue special obligation bonds for infrastructure improvements located within the district or outside the district if such infrastructure improvements are located in the County, serve the district and are related to the development or use of land in the district and may impose a special assessment, special tax, fee or charge, or any combination of them, in such district at a rate designed to provide adequate revenues to pay the principal of, interest on, and redemption premium, if any, on any special obligation bonds issued with respect to the district and to replenish the related debt service reserve fund. The special taxes and special assessments shall be collected and secured in the same manner as general ad valorem taxes of the County and shall be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for general ad valorem taxes of the County.

The District was established by the County pursuant to the Acts by the adoption of the Formation Resolution. The District consists of approximately 671 acres of land in the West Germantown area of the County and is located southwest of Clopper Road (Maryland Route 117) and Germantown Road (Maryland Route 118). See Figure 1 — Site Vicinity Map on page ii.

Set forth in Appendix D is certain economic and administrative information regarding the County.

The Improvements

General. The infrastructure improvements to be financed are those specified in the Formation Resolution. The Acts require that such improvements be public improvements which do not primarily serve the residents or occupants of only one development or subdivision.

Under the Implementation Agreement, the Developer having development responsibility for such improvement must construct the following infrastructure improvements (the "Primary Improvements") and the County must pay the Purchase Price of the Primary Improvements, up to a maximum amount for each Primary Improvement. See "The Implementation Agreement" below.

(1) <u>Richter Farm Road (Route A-297)</u>. Richter Farm Road, a four-lane arterial roadway, has been completed between Maryland Route 118 and Schaeffer Road and has been substantially completed between Schaeffer Road and Clopper Road. The finished roadway includes a sidewalk, bike path, street trees and street lighting.

(2) <u>Schaeffer Road widening</u>. This two lane roadway is being widened from 24 feet to 28 feet with a half section roadway improvement, and sidewalks, curbing and street lighting are being installed along the western side of the roadway between Leaman Farm Road and the southern boundary of the Artery Woodcliffe Park property.

(3) <u>Hoyles Mill Wastewater Pumping Station and Force Main</u>. A permanent 1.7 million gallon per day wastewater pumping station was constructed on the western edge of the Arcola Woodcliffe Park development, with a force main constructed leading from the pumping station to connect to the existing sewer system east of Maryland Route 118.

(4) <u>Two Local Public Parks</u>. Two public parks, one located in the Arcola Woodcliffe Park development and one located in the Artery Woodcliffe Park development, will be completed, with ball fields, swingsets, pedestrian walkways and bike paths and other recreational amenities.

The County currently has expenditure authority for the Primary Improvements up to the maximum Purchase Price for each Primary Improvement, as provided in the Implementation Agreement.

Pursuant to the Implementation Agreement, if the Implementation Parties realize cost savings in the construction of the Primary Improvements, all or a portion of the Purchase Price of the following infrastructure improvements, in the following priority (the "Additional Improvements" and, together with the Primary Improvements, the "Improvements") will also be paid by the County with the proceeds of the 2002 Bonds. However, if such cost savings are not realized, the County is not obligated to pay the Purchase Price of the Additional Improvements and the Developer responsible for such Additional Improvement must bear the full cost of constructing the Additional Improvements. See "The Implementation Agreement" below.

(1) Clearing and Grading of Right-of-Way for Force Main Installation. The route for the force main running from the permanent Hoyles Mill wastewater pumping station was cleared and graded to lay the pipes, with such right-of-way dedicated to the County with the completion of Route A-297 and other roadways which would be constructed on the right-of-way.

(2) Outfall Sewer Line. An outfall sewer line has been constructed and runs from the Artery Woodcliffe Park development to the permanent wastewater pumping station constructed on the Arcola Woodcliffe Park property.

(3) Turn Lanes and Intersection Improvements - Clopper Road and Great Seneca Highway. Various additional turn lanes and acceleration and deceleration lanes will be added at the intersections of Clopper Road and Richter Farm Road and Hopkins Road, and at the intersection of Richter Farm Road and Great Seneca Highway, to accommodate the anticipated increased traffic generated in part by the Developments.

(4) Leaman Farm Road Widening. A two-lane road, connecting Richter Farm Road with Schaeffer Road will be widened to 21 feet, with street trees and street lighting added.

(5) King's Crossing Boulevard. Full roadway construction has been completed of this two-lane road from Richter Farm Road to the park property, including excavation and blasting related to such construction.

The Developers estimate that the Primary Improvements will cost approximately $13.5 million and the Additional Improvements will cost approximately $3.5 million.

Arcola Improvements. Arcola is responsible for the construction of four of the six phases of Richter Farm Road, the Hoyles Mill Wastewater Pumping Station and portions of the force main and one of the two local public parks included in the Primary Improvements. The segment of Richter Farm Road between Route 118 and Schaeffer Road is completed and open to traffic, and the remaining segments between Clopper Road and Ashleigh Green Road, near the boundary of the Arcola property have been base paved, with sidewalks and street lighting installed, and are substantially completed. The pumping station and force main segments have been substantially completed and have been turned over to the Washington Suburban Sanitary Commission for operation and maintenance. The public local park has been graded and seeded is scheduled for completion by the middle of 2003. Of the Additional Improvements, Arcola is responsible for and has completed the grading of the right of way for the force main, and has substantially completed its portion of the outfall sewer lines and King's Crossing Boulevard. In addition, Arcola is responsible for the turn lanes and intersection improvements to Clopper Road and Great Seneca Highway. Prior to the issuance of the 2002 Bonds, Arcola funded the costs of such Improvements under its loan from Ohio Savings Bank. Prior to the availability of 2002 Bond proceeds to fund the Improvements, Arcola expects to fund its remaining Improvements under its loan with Ohio Savings Bank and with project cash flow.

Artery Improvements. Artery is responsible for the construction of the remaining two phases of Richter Farm Road, a portion of the force main, the Schaeffer Road widening and the other local park included in the Primary Improvements. The remaining segments between Schaeffer Road and Ashleigh Green Road, near the boundary of the Arcola property have been base paved, with sidewalks and street lighting installed, and are substantially completed. The force main segments have been substantially completed and have been turned over to the Washington Suburban Sanitary Commission for operation and maintenance. Artery has relocated utility poles along the western side of Schaeffer Road between Leaman Farm Road (formerly Hoyles Mill Road) and the southern boundary of the Artery property, has installed all underground utilities within the roadway, and has widened a portion of the roadway. The public local park is scheduled for completion by the middle of 2003. Of the

Additional Improvements, Artery has substantially completed its portion of the outfall sewer lines, has completed a portion of the Leaman Farm Road improvements, and has scheduled the completion of the remaining portion of the Leaman Farm Road widening by December 2002. Prior to the issuance of the 2002 Bonds, Artery funded the costs of certain of such Improvements under its loan from Ohio Savings Bank, and since it has paid off its Ohio Savings Bank loan, Artery has been funding the balance of such Improvements with project cash flow. Prior to the availability of 2002 Bond proceeds to fund the Improvements, Artery expects to fund its remaining Improvements with project cash flow.

The Implementation Agreement

General

The County has entered into an Implementation Agreement dated as of April 1, 2002 (the "Implementation Agreement") with the Developers and Woodcliffe Development District LLC ("Woodcliffe" and, together with the Developers, collectively, the "Implementation Parties"). Woodcliffe is a Maryland limited liability company formed by the Developers to administer on behalf of the Developers certain aspects of the District and to facilitate disbursement of funds under the Implementation Agreement. See "THE DEVELOPERS — Woodcliffe Development District, LLC."

Under the Implementation Agreement, each of the Improvements is to be constructed by the Developer responsible for such Improvement under applicable County approvals. The Developers have agreed to sell the Improvements to the County (or other applicable public agency that will own an Improvement) at the respective Purchase Prices provided in the Implementation Agreement. The County has agreed to use amounts in the Acquisition Accounts to pay the Purchase Prices of such Improvements to Woodcliffe, on behalf of the Developers, subject to the terms and conditions of the Implementation Agreement. To the extent the cost of any Improvement exceeds the Purchase Price set forth in the Implementation Agreement or amounts in the Acquisition Accounts are insufficient to pay the Purchase Price of such Improvement, the responsible Developer is obligated to fund such costs with its own source of funds. No Developer shall be relieved of its obligation to construct each Improvement for which it is responsible and to convey such Improvement to the County, even if there are insufficient funds in the Acquisition Accounts to pay the Purchase Price thereof.

Payment Procedure

Payments for the Improvements will be made by the County in up to three installments, the first for the payment of permitting and inspection fees, the second upon the satisfaction of the conditions for Substantial Completion and the third upon satisfaction of the conditions for Final Acceptance. Each Payment Request submitted by the Implementation Parties under the Implementation Agreement must be accompanied by the documentation required by the Implementation Agreement. Upon receipt of a Payment Request and all required accompanying documentation, the County Representative will conduct a review in order to confirm that such request satisfies the conditions required by the Implementation Agreement and to verify and prove the Actual Cost of such Improvement. Within thirty days of receipt of the initial Payment Request, the County Representative must either approve the Payment Request or give written notice to the Implementation Parties of the County Representative's disapproval of the Payment Request, in whole or in part, specifying the reasons for such disapproval and the additional requirements to be satisfied for approval of such Payment Request. If a Payment Request is disapproved, the Implementation Parties may resubmit the Payment Request to the County Representative with such corrective items as they deem necessary to address the requirements for approval. Within fifteen days following the receipt of a revised Payment Request, the County Representative must either approve such Payment Request or give written notice to the Implementation Parties of the County Representative's disapproval, in whole or in part, specifying the reasons for such disapproval and any further requirements to be satisfied for approval of such Payment Request. If the County Representative has not approved or disapproved a Payment Request within such thirty day period (in the case of an initial Payment Request) or fifteen day period (in the case of a revised Payment Request), the Payment Request is deemed approved. Upon approval of a Payment Request, the County must promptly direct the Trustee to make payment to Woodcliffe, on behalf of the Developers, to the extent of available monies then on deposit in the Acquisition Accounts.

Payments under the Implementation Agreement may be made jointly to Woodcliffe and any mortgagee or deed of trust beneficiary, contractor or supplier of materials, as their interests may appear, or solely to such third party, as Woodcliffe requests or as the County Representative otherwise determines is necessary to obtain lien releases. The County Representative may withhold payment for an Improvement (other than permitting or inspection fees) if at the time of the Payment Request there remains any claims for labor and material from a contractor with respect to such Improvement, for which there have been no lien releases provided by the Implementation Parties. This requirement must be waived by the County Representative if the Implementation Parties provide sureties, undertakings, securities and/or the posting of performance or payment bonds in accordance with the provisions of the County Code.

At the time of the approval of the Payment Request for Substantial Completion of an Improvement, the County Representative will cause to be withheld as Retainage in the Acquisition Accounts an amount equal to 5% of the Actual Cost of the Improvement (which shall be computed on the basis of the Actual Cost shown in such Payment Request, plus the funds needed to complete the construction of the Improvement from the point of Substantial Completion to the point of Final Acceptance, as indicated on the approved Substantial Completion Cost Estimate), unless otherwise reduced upon the approval of the County Representative. Such Retainage will be paid out of funds available in the Acquisition Accounts to Woodcliffe at the time of Final Acceptance upon receipt of an approved Payment Request from the County for the related Improvement.

The Tax Liability Letters of Credit

General. Arcola will deliver to the County on the Closing Date a Tax Liability Letter of Credit issued by Ohio Savings Bank in an amount equal to $374,344 which is equal to the maximum Special Taxes and Special Assessments projected to be levied for the 2002-2003 taxable year on property located in the District owned by Arcola. Toll LP will also deliver to the County on the Closing Date a Tax Liability Letter of Credit issued by Bank One, NA in an amount equal to $157,600 which is equal to the maximum Special Taxes and Special Assessments projected to be levied for the 2002-2003 taxable year on property located in the District owned by Toll LP. Ohio Savings Bank and Bank One, NA, in their respective capacities as issuer's of a Tax Liability Letter of Credit, are each referred to herein as an "issuing bank".

Each Tax Liability Letter of Credit will expire on the one year anniversary of its date of issuance and can be drawn on if not renewed during any period in which the account party is required by the Implementation Agreement to provide a Tax Liability Letter of Credit. Arcola and Toll LP have each covenanted in the Implementation Agreement to maintain a Tax Liability Letter of Credit meeting the requirements of the Implementation Agreement (or a cash deposit in the full Stated Amount of its respective Tax Liability Letter of Credit in the Special Assessment Escrow Fund described below in lieu thereof) until such time that the amount of Special Taxes and Special Assessments paid by it in any taxable year is less than 10% of the Annual Debt Service on the 2002 Bonds. The Tax Liability Letters of Credit are irrevocable and no default by an account party under any loans from the issuing bank will terminate or reduce the amount or terms thereof.

Amounts drawn under Arcola's Tax Liability Letter of Credit will be available only to pay Special Taxes and Special Assessments owed by Arcola and will not be available to pay Special Taxes or Special Assessments owed by any other property owner in the District. Amounts drawn under Toll LP's Tax Liability Letter of Credit will be available only to pay Special Taxes and Special Assessments owed by Toll LP and will not be available to pay Special Taxes or Special Assessments owed by any other property owner in the District.

Stated Amount. The Stated Amount of each Tax Liability Letter of Credit will be automatically and permanently reduced from time to time to (i) the amount shown on the Certificate of Reduction of Stated Amount submitted to the issuing bank by the County (which amount shall equal the Special Taxes and Special Assessments payable by the applicable account party with respect to property owned by such account party in the District for the current taxable year) or (ii) commencing with the taxable year commencing July 1, 2003, if a Certificate of Reduction of Stated Amount is not submitted to the issuing bank by the County prior to November 1 of such taxable year, the amount of the Special Taxes and Special Assessments actually paid by the applicable account party for the preceding tax year, provided that the applicable account party is current in the payment of all Special Taxes and Special Assessments then due and owing to the County and the applicable account party sends a copy of such tax bill to the issuing bank, which copy shall be certified as correct by the County.

Drawings. Each Tax Liability Letter of Credit provides the County with the right to draw upon presentation of a sight draft to the issuing bank in an amount not exceeding the Stated Amount as follows:

(a) in the case of a drawing upon any failure by the applicable account party to pay all or a portion of any Special Assessments or Special Taxes on any properties located within the District owned by such account party on or before September 30 of any year, upon submission to the issuing bank of a Certificate of Unpaid Tax Liability, the County shall be entitled to draw the amount of the Special Taxes and Special Assessments owed by such account party with respect to that taxable year (*i.e.,* the taxable year beginning on July 1, for which payment in full is due by the immediately succeeding September 30); and

(b) in the case of a drawing for any circumstance for which the County can submit a Certificate of Final Drawing, as described below, upon the submission to the issuing bank of such Certificate of Final Drawing, the County shall be entitled to draw the Stated Amount.

The County may submit a Certificate of Final Drawing under each Tax Liability Letter of Credit upon the occurrence of the following events:

(1) the Tax Liability Letter of Credit will expire within 30 days and the County has not received evidence that the Tax Liability Letter of Credit has been renewed or replaced with a substitute letter of credit satisfactory to the County in its sole discretion;

(2) the issuing bank is not deemed to be "well capitalized" (as such term is defined in 12 C.F.R. § 565.4(b)(1) on the Closing Date), as shown by the issuing bank's most recently published financial statement or financial report, the County has given the applicable account party thirty days' notice thereof and such account party has failed to provide a substitute letter of credit satisfactory to the County in its sole discretion;

(3) an Act of Bankruptcy has occurred with respect to the applicable account party and such Act of Bankruptcy has not been terminated or released within 90 days thereafter;

(4) (a) the applicable account party has transferred title to any of the property owned by it in the District, which transfer is not made in connection with its sale of lots in the District in the ordinary course of business, (b) on or before the date of such transfer, either (i) the County has not received a letter of credit satisfactory to the County in its sole discretion in an amount equal to the maximum Special Tax and Special Assessment liability of the transferee with respect to the portion of the property so transferred or (ii) the County has not consented in writing to the transfer, and (c) with respect to the Arcola Tax Liability Letter of Credit only, the applicable notice and cure periods relating to such default under the Implementation Agreement have expired; or

(5) with respect to the Arcola Tax Liability Letter of Credit only, the Implementation Agreement has been terminated by the County for cause other than the circumstances described in (3) or (4) above.

For purposes of paragraph (4) above, with respect to the Arcola Tax Liability Letter of Credit, (1) "ordinary course of business" is defined as any sale or sales made within a period of twelve months which do not exceed one hundred and seventy-five (175) lots by Arcola to any single home builder, which builder has indicated, to Arcola's best knowledge, an intent to construct houses on such lots and (2) a letter of credit containing the same terms as the Arcola Tax Liability Letter of Credit from a financial institution which is "well capitalized" and which has net assets in an amount at least equal to those of Ohio Savings Bank shall be satisfactory.

Application of Drawn Amounts. The County has agreed in the Implementation Agreement that, upon any drawing by it pursuant to any Tax Liability Letter of Credit due to the failure of the applicable account party to pay Special Taxes and Special Assessments, provided the following conditions are met, it will promptly apply such amounts against the liability of such account party for unpaid Special Taxes and Special Assessments and interest or late payment penalties owing to the County on properties owned by such account party in the District, and will consider such Special Taxes and Special Assessments have been paid on a timely basis, with no further interest or late payment penalties owing, but only if such account party (or successor party, including the issuing bank), on or before the date on which the County first advertises the property to which the delinquent Special Taxes and Special Assessments relate for tax sale in accordance with County and State law and duly adopted County procedures, either:

(i) posts a substitute letter of credit with the County in an amount equal to the Special Taxes and Special Assessments as are projected by the County to be owing by such account party for the ensuing taxable year commencing on the next July 1 (the "Projected Tax Liability"), or

(ii) pays to the County the full amount of the Projected Tax Liability, and thereafter, on a monthly basis, in installments calculated by dividing the Projected Tax Liability by the number of months remaining from the commencement of such payments to the next ensuing July 1, pays an amount equal to the Projected Tax Liability into a Special Taxes and Special Assessments escrow fund (the "Special Assessment Escrow Fund") established by the County from time to time.

Amounts paid into the Special Assessment Escrow Fund will be held by the County and applied to the payment of the applicable account party's Special Taxes and Special Assessments in future taxable years, to the extent not otherwise timely paid; provided that if the amount on deposit in the Special Assessment Escrow Fund is less than the Special Taxes and Special Assessments owed by such account party, such account party will remain liable for such deficiency. In the event that such account party fails to comply with either (i) or (ii) above, the County will have the right to exercise all remedies as are available under the County Code and the Implementation Agreement with respect to such account party's failure to pay Special Taxes and Special Assessments. In the case of a draw on a Tax Liability Letter of Credit made at a time when there is no liability for Special Taxes and Special Assessments owing by the applicable account party, the County must promptly deposit such proceeds into the Special Assessment Escrow Fund to be applied in the same manner as amounts drawn under a Tax Liability Letter of Credit upon a failure to timely pay such Special Taxes and Special Assessment are applied pursuant to the Implementation Agreement. In the event that an account party's obligation to maintain a Tax Liability Letter of Credit terminates when the County is holding amounts deposited by such account party in the Special Assessment Escrow Fund, the County will promptly return such amounts, together with all interest thereon, to the issuing bank, or if the issuing bank has been paid in full, to the account party or to any other mortgagee or trust deed beneficiary, in each case, as specified in writing by the account party to the County.

Neither the Tax Liability Letters of Credit, the proceeds of any draw thereunder, nor the Special Assessment Escrow Fund are pledged to the payment of the principal of or interest on the 2002A Bonds.

Other Covenants

The Implementation Parties have covenanted in the Implementation Agreement that they will not transfer title to any property within the District unless, on or before the date of transfer, either (1) the County receives a letter of credit satisfactory to the County in its sole discretion (it being agreed that a letter of credit containing the same terms and conditions as the Arcola Tax Liability Letter of Credit from a financial institution which is "well capitalized" and which has net assets in an amount at least equal to those of Ohio Savings Bank shall be satisfactory) in a stated amount equal to the maximum liability of the transferee for Special Taxes and Special Assessments on the properties transferred to it in the District, or (2) the County has consented to the transfer. The foregoing covenant does not apply to any transfer made in connection with an Implementation Party's sale of lots in the District to homebuilders in the ordinary course of business. For purposes of this paragraph, any sale or sales made within a period of twelve months which do not exceed one hundred and seventy-five lots by an Implementation Party to any single home builder, which builder has indicated, to the best knowledge of the Implementation Party, an intent to construct houses on such lots, shall be considered a sale in the ordinary course of business. Each Implementation Party agrees that in the event it sells any property located in the District, such Implementation Party will provide the purchaser with all information required by law and, in the case of any sale which is not in the ordinary course of business, will notify the County Representative in writing of the sale, indicating the legal description(s) and tax account number(s) of the property sold and the identity of the purchaser of the property.

Termination

By Mutual Consent. The Implementation Agreement may be terminated by the mutual, written consent of the County and the Implementation Parties (with the consent of the Bank to the extent that the Bank has a Tax Liability Letter of Credit or other loan proceeds outstanding to any Implementation Party), in which event the County may either execute contracts for or perform any remaining work related to the transportation and parks Improvements not accepted by the County (in the case of Improvements which are to be accepted by the County) or provide written notice to the Washington Suburban Sanitary District ("WSSC") and cooperate with WSSC in the execution by WSSC of contracts for or to perform any remaining work related to the Improvements not accepted by WSSC (in the case of Improvements which are to be accepted by WSSC) and use all or any portion of funds in the Acquisition Accounts or other amounts transferred to the Acquisition Accounts under the terms of the Indenture to pay for same, and the Implementation Parties will have no claim or right to any further payments for the Purchase Price of Improvements, and will have no further responsibility to the County for construction of the Improvements, except as otherwise may be provided in such written consent.

For Cause. The following events constitute an event of default under the Implementation Agreement:

(1) Any Implementation Party voluntarily files for reorganization or other relief under any federal or State bankruptcy or insolvency law;

(2) Any Implementation Party has any involuntary bankruptcy or insolvency action filed against it, or suffers a trustee in bankruptcy or insolvency or receiver to take possession of its assets, or suffers an attachment or levy of execution to be made against the property it owns within the District unless, in any of such cases, such circumstance is terminated or released within 90 days thereafter;

(3) The Implementation Parties abandon construction of the Improvements in the aggregate. Failure for a period of six consecutive months to undertake substantial work related to the construction of the Improvements in the aggregate at a time when such construction is scheduled to occur, other than due to *force majeure*, constitutes a nonexclusive example of such abandonment;

(4) Any Implementation Party breaches any material covenant or default in the performance of any material obligation under the Implementation Agreement;

(5) Any Implementation Party has made any material misrepresentation or omission in any written materials furnished in connection with any offering document or bond purchase contract used in connection with the sale of the 2002 Bonds;

(6) Any Implementation Party or any of their respective Affiliates at any time challenge the validity of the District or any of the 2002 Bonds or the levy of the Special Taxes and Special Assessments within the District, other than on grounds that such levy was not made in accordance with the terms of the Bond Resolution.

If any such event of default occurs, the County must give written notice of its knowledge thereof to the Implementation Parties (with a copy to (i) the Bank to the extent that the Bank has a Tax Liability Letter of Credit or other loan proceeds outstanding to finance the cost of the Improvements to any Implementation Party and (ii) to Toll LP, or any builder which has posted a Tax Liability Letter of Credit pursuant to the Implementation Agreement which is still outstanding, and provided the County Representative with a notice address), specifying the event which is deemed to be a breach by the County, and the Implementation Parties agree to meet and confer with the County Representative and other appropriate County staff and County Representatives as to options available to assure timely completion of the Improvements (with such meeting open to the Bank and to Toll LP or any other builder which has posted a Tax Liability Letter of Credit pursuant to the Implementation Agreement which is still outstanding). Such options may include, but not be limited to, the termination of the Implementation Agreement by the County. If the County elects to terminate the Implementation Agreement, the County shall first notify the Implementation Parties (and Ohio Savings Bank, or if Ohio Savings Bank has been paid in full, any other mortgagee or trust deed beneficiary specified in writing by the Implementation Parties to the County to receive such notice and Toll LP or any other builder which has posted a Tax Liability Letter of Credit pursuant to the Implementation Agreement which is still outstanding and provided the County Representative with a notice address) of the grounds for such termination and allow the Implementation Parties a minimum of 30 days to eliminate or mitigate to the satisfaction of the County the grounds for such termination (with such additional time to cure with respect to Ohio Savings Bank as described below under "-- Intercreditor Agreement"). Such period may be extended, at the sole discretion of the County, if the Implementation Parties or the Bank, to the satisfaction of the County, are proceeding with diligence to eliminate or mitigate such grounds for termination. If at the end of such period (and any extension thereof), as determined solely by the County, the Implementation Parties or the Bank have not eliminated or completely mitigated such grounds to the satisfaction of the County, the County may then terminate the Implementation Agreement and cease making payments for the Purchase Price of the Improvements thereunder.

In the event that the Implementation Agreement is terminated by the County for cause, the County may use 2002 Bond proceeds on deposit under the Indenture to redeem the 2002 Bonds. See "THE 2002A BONDS -- Redemption -- Extraordinary Optional Redemption from Improvement Fund Transfers". In addition, the County may execute contracts for or perform any remaining work related to the transportation and parks Improvements not accepted by the County (in the case of Improvements which are to be accepted by the County) or provide written notice to WSSC and cooperate with WSSC in the execution of contracts for or to perform any remaining work related to the Improvements not accepted by WSSC (in the case of Improvements which are to be accepted by WSSC) and use all or any portion of the funds in the Acquisition Accounts or other amounts transferred to the Acquisition Accounts for such purposes, and the Implementation Parties will have no claim or right to any further payments for the Purchase Price of Improvements, except as otherwise may be provided upon the mutual written consent of the County and the Implementation Parties. After the County and/or WSSC complete the remaining work relating to the unfinished Improvements with amounts in the Acquisition Accounts, to the extent that there are funds remaining in the Acquisition Accounts, the County will reimburse Woodcliffe for all amounts actually expended which have not been reimbursed, subject to the delivery by the Implementation Parties of the documentation required by the Implementation Agreement as to the amount of such costs.

Obligation of Implementation Parties not Joint

The obligation of the Implementation Parties under the Implementation Agreement is several and not joint and several. The County has agreed to give notice of any default under the Implementation Agreement by any Implementation Party to all Implementation Parties and to allow any Implementation Party to cure such default, subject to receiving reasonable assurances of future ability to perform by such Implementation Party.

Intercreditor Agreement

In the Implementation Agreement, the County has agreed (1) to give written notice to Ohio Savings Bank of any default by Arcola which would entitle the County to suspend payment from the Acquisition Accounts or to terminate the Implementation Agreement, (2) to grant Ohio Savings Bank the opportunity to cure Arcola's default (to the extent curable by Ohio Savings Bank) under the Implementation Agreement and accept such cure in lieu of cure by Arcola (provided that in the case of a nonmonetary default by Arcola, Ohio Savings Bank shall have an additional 15 day period beyond the period described above under "-- Termination — For Cause" to cure such default, (3) to forbear from exercising its remedies under the Implementation Agreement, including the right to terminate the Implementation Agreement, for a period of 150 days from the date which it would otherwise be entitled to do so, provided that Ohio Savings Bank is diligently pursuing foreclosure proceedings against Arcola or is otherwise diligently taking action to substitute itself or its successors and assigns and/or any foreclosure purchaser (collectively, a "Successor"), as a successor-in-interest to the rights of Arcola under the loan documents entered into by Arcola and Ohio Savings Bank and (4) to recognize the Successor in the event of a default by Arcola such that the Successor shall be entitled thereafter to succeed to the rights of Arcola, including, without limitation, the right to payment from the Acquisition Accounts with respect to completion of Improvements as contemplated in the Implementation Agreement. During the time period that default by any Implementation Party under the Implementation Agreement remains uncured, the County is not required to make any payments from the Acquisition Accounts with respect to submitted Payment Requests. Furthermore, the County is not precluded from exercising other remedies that it has at law in the event of any delinquencies in Special Taxes and Special Assessments owing to the extent the requirements set forth under the caption "-- Tax Liability Letters of Credit" above are not satisfied.

Assignment by Implementation Parties

The Implementation Agreement may not be assigned by any of the Implementation Parties, except in whole to an Affiliate, or collaterally assigned to any Bank, without the prior written consent of the County, which consent shall not be unreasonably withheld or delayed. In connection with any such consent of the County, the County may condition its consent upon the acceptability of the financial condition of the proposed assignee, upon the assignee's express assumption of all obligations of the assignor under the Implementation Agreement and/or upon any other reasonable factor which the County deems relevant in the circumstances. In any event, any such assignment shall be in writing, shall clearly identify the scope of the rights and/or obligations assigned and shall not be effective until approved by the County. Any assignment of the Implementation Agreement will not relieve the assignor of its obligations thereunder and such assignor will remain liable for all of its obligations under the Implementation Agreement.

Administration of the District

The Indenture requires the County to perform all functions relating to the administration of the District, including the following functions:

(1) Determination and calculation of the annual Special Taxes and Special Assessments;

(2) Review and reconciliation of cash transaction statements delivered to the County Representative pursuant to the Indenture; and

(3) Performance of obligations with respect to Special Assessment and Special Tax delinquencies as required by the Indenture.

The County expects that the Director of Finance will appoint one or more County Representatives to undertake these functions. The Indenture allows the County to appoint one or more third-party Administrators to perform any or all of its duties and obligations under the Indenture, including these tasks. Any Administrator appointed pursuant to the Indenture shall be an individual or entity with the ability, as determined by the County, to perform the duties of the County Representative under the Indenture. See Appendix B — Definitions and Summary of Certain Provisions of the Indenture — County Representative; Administrator.

Methodology for Levying the Special Taxes and Special Assessments

General

In developing the methodology to be used for levying the Special Taxes and Special Assessments, the County's goal was to levy the Special Taxes at a single tax rate based on assessed value which would be applicable to all taxable real property located in the District. However, if only the Special Taxes were levied, the tax would be levied on homeowners occupying developed property in an amount that would be disproportionate to the benefits received by such homeowners. Therefore, the Special Assessments are also being levied, which will be levied only on taxable undeveloped property in the District. The combination of the Special Taxes and Special Assessments allows the County to fairly allocate the cost of the Improvements to developed and undeveloped properties in the District in proportion to the benefit such properties will receive from the Improvements.

The Special Taxes will be levied upon all real property in the District (except for Exempt Property) at the rate that, when multiplied by the estimated assessment of all property in the District at full build-out, will result in Special Tax revenues equal to at least the Revenue Requirement. In determining the Special Tax rate, the County must assume that delinquencies do not increase the Revenue Requirement by more than 10%. Next, the County will multiply the Special Tax Rate by the actual assessment of all property in the District to determine the revenues that will be generated by the Special Tax. Prior to full build-out, the amount of Special Tax revenues will be less than the Revenue Requirement. The Special Assessments will be levied on all undeveloped real property in the District (except for Exempt Property) in an amount that will generate sufficient revenues, taking into account the revenues generated by the Special Taxes, to cover the Revenue Requirement.

A more detailed description of the methodology for levying the Special Taxes and Special Assessments is set forth below. See Appendix A — Bond Resolution for the complete text of the methodology for levying the Special Taxes and Special Assessments.

Special Taxes

All of the real property in the District is subject to the Special Tax, except for Exempt Property and property exempted from property taxes by law (e.g., real property owned by governmental units, churches, schools, disabled veterans and the blind). The Special Tax must be levied and collected, and is payable, in the same manner, for the same period or periods, and with the same date or dates of finality as property taxes, except as otherwise provided in the Bond Resolution. All unpaid Special Taxes are, until paid, a lien on the property in respect to which they are imposed from the date they become payable, and are subject to interest and penalties, to the same extent as property taxes. The Special Taxes cannot be accelerated because of any default in payment of the principal of or interest on the 2002 Bonds.

Commencing with the 2002-2003 taxable year and for each following taxable year, the County Council must levy the Special Tax at the Special Tax Rate that, when multiplied by the estimated assessment of all of the taxable property in the District at full build-out of the District, will result in Special Tax revenues at least equal to the Special Tax Requirement for that taxable year. In setting the Special Tax Rate each taxable year, the County Council must consider (1) the estimated assessment of all taxable property in the District at full build-out of the District, based on a representative sample of current fully improved property in the District; and (2) the Special Tax Requirement, assuming delinquencies do not increase the Special Tax Requirement by more than ten percent.

Exempt Property is defined as any property that is fully developed prior to the creation of the District. Fully developed means there is a building on the property, the property cannot be More Intensively Developed without action by the property owner and the property owner has not taken any action that would result in the property being More Intensively Developed. Property is deemed to be More Intensively Developed if (a) the development of additional permanent buildings on the property or a change in the use of the property from the use when the District was created, (b) plan approval is granted by the County or the Maryland-National Capital Park and Planning Commission for the development of the property that will result in the construction of additional permanent buildings on the property or a change in the use of the property from the use when the District was created, or (c) the zoning is changed for the property at the request of the property owner in a manner that would allow additional permanent buildings to be constructed or allow a change in use of the property from the use when the District was created.

There is only one parcel of Exempt Property in the District, a five acre parcel owned by an unrelated third party, which is located within the boundaries of the Arcola Woodcliffe Park property. This five acre parcel is currently improved with a single family residence. No additional development is expected on this parcel. If this parcel is developed at a later date, it will lose its exemption and, thereafter, be subject to the Special Taxes and Special Assessments. No other property in the District will qualify as Exempt Property.

A Parcel ceases to be Exempt Property if (A) the Parcel becomes More Intensively Developed, and (B) the Parcel benefits from any development capacity attributable to infrastructure improvements financed by the District. A Parcel that ceases to be Exempt Property must be subject to the Special Tax in the next taxable year. In addition, the Parcel must be subject to the Special Tax for all prior taxable years in which the Special Tax was levied as if it were not Exempt Property for those years. The Special Tax for prior taxable years may be paid in installments over five years with interest at the weighted average of the true interest cost of the 2002 Bonds, but must be fully paid for any Parcel no later than the date the Parcel is fully improved and sold to a Final User.

The Special Tax Requirement is calculated as the amount required in any taxable year to pay (a) the sum of (1) debt service and other periodic costs on the 2002 Bonds or other indebtedness of the District, (2) a pro rata share of the Administrative Expenses to be incurred in the taxable year or incurred in any previous taxable year and not paid by the District, such pro rata share to be based on the amount of annual Special Tax revenues divided by the aggregate annual Special Assessment Revenues and Special Tax revenues, (3) any amount required to replenish the Reserve Fund established for the 2002 Bonds, (4) an amount equal to the estimated delinquencies expected in payment of the Special Tax not otherwise taken into account in a replenishment of the Reserve Fund, and (5) the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash), less (b) any credits available under the Indenture, such as investment earnings on any account balances and capitalized interest available to pay debt service.

The Special Tax must not be levied after the date all of the 2002 Bonds have been fully repaid.

Special Assessments

All of the real property in the District is subject to the Special Assessments, except for:

(1) Exempt Property,

(2) property exempted from property taxes by law (e.g., real property owned by governmental units, churches, schools, disabled veterans and the blind),

(3) property owned by the United States, any county, state, or municipal government, or any instrumentality, agency, or political subdivision thereof ("Public Property"),

(4) property owned by a homeowners association, property for the exclusive use of public utility service providers, permanent open space, public road rights-of-way, storm drainage ponds, or other areas on which there will be no development for the purpose of making a profit ("Non-Benefitted Property"), and

(5) any Parcel of Residential Property for which on the date the Special Assessment is levied (A) a permanent building has been constructed, (B) the building is ready for occupancy or use, and (C) the Special Tax is levied on the full value of the constructed building ("Developed Residential Property").

The Special Assessments must be levied and collected, and are payable, in the same manner, for the same period or periods, and with the same date or dates of finality as property taxes, except as otherwise provided in the Bond Resolution. All unpaid Special Assessments are, until paid, a lien on the property in respect to which they are imposed from the date they become payable, and are subject to interest and penalties, to the same extent as property taxes. The Special Assessments cannot be accelerated because of any default in payment of the principal of or interest on the 2002 Bonds.

Commencing with the 2002-2003 taxable year and for each following taxable year, the County Council must levy a Special Assessment on each Parcel in the District in an amount equal to the Equivalent Dwelling Units for each Parcel, multiplied by the lesser of (1) the Special Assessment Rate, or (2) the Maximum Special Assessment Rate. The Special Assessment applicable to any Parcel in the District is limited to the Maximum Special Assessment Rate. The County Council must not increase or extend the term of the Maximum Special Assessment Rate applicable to any Parcel because of any delinquency or default by any other taxpayer. The County Council must not levy the Special Assessment in any taxable year in which the Special Assessment Rate is equal to zero. The Maximum Special Assessment Rate for any taxable year is equal to the Annual Revenue Requirement plus Special Taxes available to be applied to the Annual Revenue Requirement, divided by the sum of the Equivalent Dwelling Units on all property in the District, excluding Public Property, Exempt Property and Non-Benefitted Property, but including developed property which is otherwise exempt from the levy of the Special Assessment.

The Annual Revenue Requirement is calculated as the amount required in any taxable year to pay (a) the sum of (1) debt service and other periodic costs on the 2002 Bonds or other indebtedness of the District, (2) a pro rata share of the Administrative Expenses to be incurred in the taxable year or incurred in any previous taxable year and not paid by the District, such pro rata share to be based on the amount of the annual Special Assessment Revenues divided by the aggregate annual Special Assessment Revenues and Special Tax revenues, and (3) the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash), less (b)(1) any credits available under the Indenture, such as investment earnings on any account balances and capitalized interest available to pay debt service, which may be offset by delinquencies in payment of the Special Assessments (whether estimated or actual) and any replenishment of the Reserve Fund, and (2) Special Taxes available to be applied to the Annual Revenue Requirement.

A Parcel ceases to be Exempt Property if the Parcel becomes More Intensively Developed, and the Parcel benefits from any development capacity attributable to improvements financed by the District. A Parcel that ceases to be Exempt Property is subject to the Special Assessments in the next taxable year. In addition, the Parcel is subject to the Special Assessments for all prior taxable years in which the Special Assessments were levied as if it were not Exempt Property for those years. The Special Assessment for prior taxable years may be paid in installments over five years with interest at the weighted average true interest cost of the 2002 Bonds, but must be fully paid for any Parcel no later than the date the Parcel is fully improved and sold to a Final User.

The Special Assessments must not be levied after the earlier of the date all 2002 Bonds have been fully repaid, or there are no Parcels on which a Special Assessment may be levied.

THE DEVELOPERS

General

The two developers of the properties in the District, Arcola Investment Associates, a Virginia general partnership ("Arcola") and Artery Hoyles Mill, LLC, a Maryland limited liability company ("Artery") (collectively, Arcola and Artery are sometimes referred to as the "Developers"), each have substantial experience in the development of residential projects in the Washington, D.C., metropolitan area. They are jointly marketing the properties in the District owned by them under the name "Woodcliffe Park." For purposes of this Official Statement, the property being developed by Arcola is referred to as "Arcola Woodcliffe Park" and the property being developed by Artery is referred to as "Artery Woodcliffe Park."

Arcola Woodcliffe Park Ownership and Development Entity

Arcola is owned in the designated percentages by the following partners:

- 10% - Cylburn, Inc., (a Maryland corporation owned 100% by Herschel Blumberg), which is the managing partner of Arcola;

- 40% - the Herschel and Goldene Blumberg Family Limited Partnership, (a Maryland limited partnership) which is owned 1% by Cylburn, Inc., as general partner; 0.75% by Herschel Blumberg and 0.75% by Goldene Blumberg (Mr. Blumberg's wife); 19.5% by Marjorie Blumberg, 19.5% by Susan Blumberg Levin, and 19.5% by Mark Blumberg, all of whom are the children of Herschel and Goldene Blumberg; and 19.5% by the Ari B. Levin Trust and 19.5% by the Aaron M. Levin Trust (the beneficiaries of the two trusts are the grandchildren of Herschel and Goldene Blumberg); and

- 50%- Blumberg Acquisition LLC, a Maryland limited liability company, owned 99% by the Herschel and Goldene Blumberg Family Limited Partnership and 1% by Cylburn, Inc.

Mr. Blumberg has over 50 years of experience in all phases of land development in various partnerships, including as principal of other development entities, the primary one being Quad Construction Corporation. Prior to 1998, Quad Construction Corporation served as the land development entity for Mr. Blumberg and his land development partnerships. He has been responsible for the development of over 10,000 residential lots.

Prince George's Metro Center, Inc., which is 100% owned by Mr. Blumberg, serves as the management and development entity for Mr. Blumberg's real estate investments. Prince George's Metro Center consists of three office buildings comprising more than 1,000,000 square feet of office space. Construction of the fourth office building of approximately 200,000 square feet commenced in November 2001 and is expected to be completed by December 2002. Approximately 36 persons are employed by Prince George's Metro Center, Inc., of which five individuals comprise its land development department, exclusive of Mr. Blumberg, President, Chris Hanessian, Senior Vice President, and Sam Tucker, Vice President-Finance.

Besides utilizing a professional in-house staff, Prince George's Metro Center, Inc. utilizes professional and technical consultants in the course of a development process to assure that the eventual finished project will fulfill expectations. Arcola does not have any employees. As building lots are developed, they will be sold to homebuilders, in accordance with the terms of the respective contracts of sale, for construction of residential dwellings. Development of 816 building lots located in Arcola Woodcliffe Park and approximately $10,000,000 of infrastructure connected with the developments in the District is being overseen by Prince George's Metro Center, Inc. on behalf of Arcola.

Other Properties Developed by Mr. Blumberg and his land development partnerships

The following is a list of other projects developed or being developed by Mr. Blumberg and companies under his control since 1990 and the status of those projects:

Name and Location	Description of Project	Date Completed
Alexandria, Virginia		
Cascade at Landmark	277 unit apartment building	completed 1991 and sold - 1995
Charles County, Maryland		
Charles Crossing	311 single-family lots and 311 townhomes	sold – 2001
Frederick County, Maryland		
Carone	475 townhome and single-family lots	sold -1992
Golfview	163 single-family lots	1990
Overlook	737 single-family, townhome, and garden apartments.	1995
Loudoun County, Virginia		
LeBourget	250,000 sq. ft. office bldg.	sold - 1992
Montgomery County, Maryland		
Brook Farms	89 single-family lots	1996
Brookfield	28 single-family lots	1995
Kings Valley	32 single-family lots	sold - 1997
LaVay	18 single-family lots	sold - 1992
Potomac Falls Estates	6 single-family lots	1998
Quincehaven Estates	176 single-family lots 117 townhome lots	1996 1995
Round Hill	3 single-family lots	1998
Seneca Estates	34 single-family lots	1997
Prince George's County, Maryland		
Farmington Woods	72 single-family lots	2000
Hill Oaks	247 single-family lots	1997
La Dova Estates	46 single-family lots	1996
Metro IV CDC	217,000 sq. ft. office	2002
Regency Estates	150 single-family lots	1991
Severn Crossing	423 single-family lots	1997

Name and Location	Description of Project	Date Completed
Tippett Estates	156 single-family lots	sold – 2000
Woodmore Crossing	437 single-family lots	2000
Prince William County, Virginia		
Villages of Saybrooke	305 single-family lots and 207 townhome lots	will be substantially complete in 2002

Biographies of Arcola Management

Herschel W. Blumberg, age 77, is the President and sole owner of Prince George's Metro Center, Inc. and the President of Cylburn, Inc. Mr. Blumberg is a native of Baltimore, Maryland and a graduate of Georgetown University. Since 1948, he has been involved in a large number of varied real estate ventures, including the design, construction and management of a 2.5 million square foot multi-use project, The Prince George's Metro Center complex, located in Hyattsville, Maryland. He has developed hundreds of residential lots and built hundreds of apartment units and single-family homes. As the owner of Prince George's Metro Center, Inc., and a partner in the Quad Group, he has participated in the acquisition, engineering, zoning, development and sale to homebuilders of over 10,000 single family detached lots, single family attached lots, apartments, and a commercial office building, as well as the conversion of apartment buildings to condominiums.

Chris R. Hanessian, age 40, is Senior Vice President of each of Cylburn, Inc. and Prince George's Metro Center, Inc. He is the Chief Operating Officer of the Prince George's Metro Center complex. His responsibilities also include the management of Prince George's Metro Center, Inc.'s land development activities. Mr. Hanessian is primarily responsible for the day-to-day management of the Arcola Woodcliffe Park development activities. He received a Bachelor's Degree in Architecture from Miami University, and an M.S. degree in Real Estate from The Johns Hopkins School of Business. He has been employed by Prince George's Metro Center, Inc. and its affiliate, the Quad Group, since 1985. Prior to 1985, Mr. Hanessian worked with architectural firms in Washington, D.C. and Silver Spring, Maryland. Mr. Hanessian has extensive experience in planning, zoning, land development, and construction throughout Maryland and Virginia.

Samuel E. Tucker, age 53, is the Vice President – Finance of each of Cylburn, Inc. and Prince George's Metro Center, Inc. As the chief financial officer of these entities, he is responsible for the placement of and negotiation of all financing as well as the contracts with all builders. He earned Bachelor's Degrees in Production Management and Accounting from the University of Maryland in 1972 and became a Certified Public Accountant in 1973. He has been employed by Prince George's Metro Center, Inc. and its affiliate, the Quad Group, since 1987. Between 1982 and 1987 he was the chief financial officer of the development companies of Farr Jewett and Associates and at Combined Properties. Mr. Tucker has been responsible for placing, negotiating and closing on financings that, in the aggregate, exceed $750 million. Prior to 1982, Mr. Tucker served as a manager in public accounting firms in Silver Spring, Maryland and Washington, D.C.

Patricia A. Morris, age 52, is a Project Manager in the Land Development Department of Prince George's Metro Center, Inc. She was employed by R.W. Lotto, Inc., a builder/developer in Alexandria, Virginia for five years prior to coming to Quad Development (an affiliate of Prince George's Metro Center, Inc.) in 1986. Ms. Morris was Site Superintendent for approximately nine years for several projects located in Montgomery and in Frederick Counties, Maryland. In 1995 she joined Natelli Communities of Gaithersburg, Maryland as a Land Development Manager and returned in 2000 to work for Prince George's Metro Center, Inc. Ms. Morris has extensive field experience in developing residential communities ranging in size from 200 units to 1,500 units.

Artery Woodcliffe Park Ownership and Development Entities

The sole member of Artery is Artery Development Company, LLC, a Maryland limited liability company ("ADC"). The Artery Group, LLC ("The Artery Group") is the manager of Artery and earns management fees for the services it provides to Artery. The principals of The Artery Group are Henry H. Goldberg, holding a 99% interest, and Carol B. Goldberg, holding a 1% interest. Richard M. Aronoff is the non-member manager of The

Artery Group. (The Artery Group and its affiliates are hereinafter sometimes collectively referred to as "The Artery Group Companies".)

Artery acquired the Artery Woodcliffe Park properties out of the bankruptcy estate of West Germantown, L.P., a Maryland limited partnership, on December 12, 1997. There is no affiliation between Artery, The Artery Group, or any of their affiliates and West Germantown, L.P., or its affiliates, although Bernard J. Rafferty, Senior Vice President for Planning and Development for The Artery Group, was involved as a project manager in the development of the Artery Woodcliffe Park property on behalf of West Germantown, L.P. prior to his employment with The Artery Group and continues with the project development efforts.

ADC, which is owned 100% by The Artery Group, its sole managing member, is serving as the developer for the Artery Woodcliffe Park project. ADC manages the development activity, including securing all land use approvals, preparing budgets, entering into contracts with subcontractors, preparing draws of funds from lending institutions, and monitoring and overseeing the construction activity of the project.

The Artery Group, the manager for Artery, and ADC and their predecessors, have been active in land development, home building, construction, construction management and property management businesses since 1959. Over this period, The Artery Group and its affiliates have developed homes, rental apartments, commercial office buildings, hotels and retail space. ADC currently has an in-house professional staff of 20. In addition, The Artery Group Companies affiliate with a large number of technical consultants and subcontractors experienced in all phases of land development. Throughout their history, The Artery Group Companies have developed more than 10,000 residential lots in the Washington metropolitan area. ADC is experienced in all phases of development –from acquisition to planning and zoning, to lot and community development, including the construction of all required infrastructure and project amenities. Upon the completion of finished lots on behalf of Artery, Artery has and will sell these lots to homebuilders who will construct and market homes. Development of 577 building lots located in Artery Woodcliffe Park and approximately $6,000,000 of infrastructure connected with the developments in the District is being overseen by ADC principals.

Other Properties Developed by The Artery Group Companies

Currently ADC is developing several large projects in Germantown, Maryland. In addition to Artery Woodcliffe Park, ADC is currently developing the 44-acre mixed use Germantown Town Center. This project contains three distinct uses. A 106,500 square foot shopping center, opened in mid 2000, is anchored by Safeway and contains more than 15 additional stores and other service providers. The second use for the Town Center is a 328-unit garden apartment project, which broke ground in the fall of 2000. This project, which is a joint venture with Clark Realty Capital, LLC, began delivering units in the fall of 2001. The final component of the Germantown Town Center includes 227 condominium and townhouse lots, which ADC is currently developing, and which affiliated limited liability companies of The Artery Group Companies are selling, or expect to sell, such finished lots to builders over the 2000 to 2003 timeframe.

In addition, ADC has several other large projects to be developed over the 2002 to 2005 timeframe. The first a 1,330 residential lot development, together with 89,000 square feet of retail, is located in Clarksburg, Maryland. This project will be developed by ADC commencing in 2002 - 2003 and is a joint venture with Beazer Homes Corp. The second project is a 516-lot golf course community named Fairland, located in Burtonsville, Maryland. This project is a joint venture with Ryland Homes, and is expected to begin development in 2003.

The following is a list of certain projects developed or being developed by The Artery Group Companies since 1990 and the status of those projects:

Name and Location	Description of Project	Date Completed
Fairfax County, Virginia		
Fairfax Government Center	1.0 million sq. ft. of office, hotel, retail, and residential space	1990
Carriage Park	192 condo units	1990

Name and Location	Description of Project	Date Completed
Prince William County, Virginia		
Jackson's Ridge	280 condo units	1990
Manassas Park Apartments	350 Multifamily Apartment units and 280 condo units	2002
Prince George's County, Maryland		
Heim	400 townhouse and 150 single-family lots	1990
Beall Wood	150 single-family lots	2005
Cherryvale	167 single-family and townhouse lots	1990
Montgomery County, Maryland		
Greenway Village at Clarksburg	1330 single-family, townhomes, and multi-family units; 89,000 sq. ft. retail	2009
Germantown Town Center	555 townhouse and multi-family lots 106,699 sq. ft. retail	2003
Woodcliffe Park South	20 single-family lots	2004
Fairland	516 single-family and townhouse lots	2007

Biographies of Artery Management

Henry H. Goldberg, age 63, is Chairman of the Board, Chief Executive Officer and founder of The Artery Group and of ADC. Mr. Goldberg graduated with a B.S. degree in Business Administration from the University of Maryland in 1959. He started a home-building company that same year, built his first apartment complex in 1961 and has built and/or substantially rehabilitated more than 14,000 apartment units over the past 30 years. Mr. Goldberg is very active in the local community, supporting numerous local interests in addition to many charitable organizations. He is a member of the Apartment and Office Building Association (A.O.B.A.) and the Greater Washington Board of Trade and has served on several institutional boards, including the Brookings Council, the Advisory Board of American University and the Reginald S. Lourie Center for Infants and Children. In 1989, Mr. Goldberg received the Distinguished Graduate Award from the University of Maryland Business School and currently serves on the Board of the University of Maryland Foundation. Mr. Goldberg has experience with all aspects of commercial and residential construction, rehabilitation and property management, and is directly involved in Artery's day-to-day operations.

Richard M. Aronoff, Esq., age 59, is the President of The Artery Group and is Executive Vice President of ADC. He received a B.S. degree in Economics from the Wharton School of Finance of the University of Pennsylvania in 1963 and received a Bachelor of Laws degree, Cum Laude, from Columbia Law School in 1966, where he served as editor of the Columbia Law Review. He was an associate with the Washington, D.C., law firm Arent Fox Kintner Plotkin & Kahn from 1966-1969. From 1969-1972, he served as Executive Vice President and General Counsel of Redstone Development Corporation, a developer of community-sized shopping centers in the Washington, D.C. metropolitan area. Mr. Aronoff was engaged in the private practice of law from 1972-1984 as the founding partner of Aronoff & David, a law firm specializing in real estate development, finance and tax matters. From 1985 to 1990, Mr. Aronoff devoted full time to operating the Aronoff Real Estate Company, which engaged in the acquisition, management and leasing of approximately 1,000,000 square feet of office buildings in the

Washington, D.C. metropolitan area. Mr. Aronoff has been associated with The Artery Group Companies since 1979 in the capacity of legal and business advisor and has spent his full time with The Artery Group Companies since 1990. He has extensive knowledge of real estate development, finance and law and has experience in the development, rehabilitation and management of residential and commercial real estate.

Hayes McCarty, age 55, is the Chief Operating Officer of The Artery Group and the President and Chief Operating Officer of ADC. Mr. McCarty received a B.A. degree from Rhodes College and an M.A. in Real Estate and Urban Planning from the University of Tennessee. Mr. McCarty has been active in the real estate industry for over thirty years. He was affiliated with The Artery Group Companies from 1977 through 1991 in various capacities, including residential and commercial land acquisition, apartment development, leasing and construction and homebuilding. From 1987 through 1991, Mr. McCarty was President of Artery Homes, at that time one of the ten largest homebuilders in the Washington, D.C. area, comprising a staff of 150 to 200 persons and average annual sales of $80 million. Mr. McCarty also oversaw The Artery Group Companies' manufacturing plant, which produced roof and floor trusses and panelized components for The Artery Group Companies' homebuilding and multifamily operations. From 1991 through 1996, Mr. McCarty was the President of Sumner Homes, a privately held homebuilding company that built over 150 townhouses and single-family homes. From 1996 through 1997, he was affiliated with Pulte, one of the largest national homebuilders in the country, developing and building affordable housing communities and active adult/retirement communities. Mr. McCarty returned to The Artery Group Companies in 1997. Mr. McCarty has served on the Board of Directors of the Maryland National Capital Building Industry Association and as President of the Board of Directors of the Building Industry Institute.

Scott H. Price, C.P.A., age 44, is Chief Financial Officer and Executive Vice President for The Artery Group and for ADC. He received a B.A. in Business Administration from the University of Maryland and is a candidate for a Master of International Business from the University of Maryland. Mr. Price is also a Certified Public Accountant. Mr. Price was a Senior Manager for a large public accounting firm while also serving on the National Executive Committee of The National Association of Certified Public Accounting Firms. Mr. Price has a diverse financial and operational background, and for the past 15 years, Mr. Price has served as a CFO with various companies within the real estate development arena. He has been involved in property management, disposition, acquisition, development, and construction financing, including residential and commercial land acquisition, apartment development, leasing and construction and homebuilding. Mr. Price has been involved in over $1.5 billion of real estate acquisition, construction, development, and disposition activities.

Bernard J. Rafferty, P.E., age 44, is Senior Vice President of Planning and Development for The Artery Group and for ADC. He received a B.S. degree in Civil Engineering from the University of Maryland in 1979 and is a Registered Professional Engineer in the State of Maryland. Mr. Rafferty was Vice President of Land Development for Greenberg Realty Company from 1987 to 1997. Greenberg Realty Company was the General Partner of West Germantown L.P., the prior owner of the Artery Woodcliffe Park property. From 1979 to 1987, he was a project manager for Greenhorne & O'Mara, Inc., an engineering, design and land-planning firm. Mr. Rafferty has extensive experience in land development, planning, zoning and engineering design throughout Maryland and Virginia.

Alan H. Stackman, age 53, is Senior Vice President of Acquisition and Development for The Artery Group and for ADC. Mr. Stackman has a B.S. degree in Real Estate from The American University. Over the past 25 years, Mr. Stackman has been associated with several large local and national homebuilders, handling their land acquisition and development activities. During that time, he has acquired and developed over 5,000 residential lots in the Washington, D.C. metropolitan area. He also served as a Housing Analyst for the Housing Opportunities Commission of Montgomery County, Maryland.

Woodcliffe Development District, LLC

Woodcliffe Development District, LLC was formed by Arcola and Artery on March 6, 2001 to administer on behalf of the Developers certain aspects of the District and to facilitate the disbursement of funds representing reimbursements for the construction of infrastructure improvements for the District. Each of Artery and Arcola has a 50% membership interest in Woodcliffe Development District, LLC. The consent of both of the General Managers of Woodcliffe representing Artery and Arcola is required for any acts which deviate from the agreed upon development schedule and distribution of 2002 Bond proceeds. Woodcliffe Development District, LLC will receive disbursements of 2002 Bond proceeds made by the County pursuant to the Implementation Agreement, as well as infrastructure cost reimbursements from third party developers, and disburse such amounts to Arcola and Artery in accordance with their Development Agreement. See “THE DEVELOPMENTS -- Development Plans and Schedules for the Developments -- Joint Agreements.”

THE DEVELOPMENTS

General Description of the Germantown Corridor City

Germantown is an unincorporated area located in Montgomery County, Maryland, approximately 20 miles northwest of Washington, D.C. The boundaries of Germantown are generally defined by the Germantown Planning Area, which encompasses a 3-by-5 mile rectangle, bisected by Interstate I-270. Germantown is one of the “corridor cities” designated by the Montgomery County General Plan developed in the 1960s. One of the major goals of that Plan is to direct higher density residential and employment growth in the County along the major transportation corridors linking Maryland to Washington, D.C., of which Interstate I-270 is one. This concept was modified by the 1989 Germantown Master Plan (“Master Plan”) to provide greater emphasis on Germantown as a new community affording opportunities for people to both live and work. Germantown is currently one of the fastest growing regions in Montgomery County, with a population now estimated at approximately 65,000 people.

Development District Properties

The District is located within the Kingsview Village Planning Area of the Master Plan and is approximately two miles south of the Germantown Town Center, a regional employment and retail center which is currently being developed by ADC. The District is located south of Clopper Road and west of Schaeffer Road in Germantown, Maryland. (See “Site Vicinity Map” — Figure 1 on page ii.) Three I-270 exits provide access to the District, Clopper Road - MD 117 (Exit 10), Middlebrook Road (Exit 13), and Germantown Road – MD 118 (Exit 15). These exits are located within three to five miles of the site.

Prior to the commencement of land development activities, the terrain of the properties located within the District was open and rolling, crossed by swales formed by small streams that empty into Little Seneca Creek. Prior to the commencement of land development activities, the properties were largely cleared for agricultural purposes. However, there are wooded areas among the northwestern perimeter. In addition, there are wooded areas and stream buffers along Little Seneca Creek. Grading has been undertaken to level large sections of the site, which ranges from 350 to 480 feet above sea level.

Portions of the subject property are identified as being in Flood Zones A, B and C. Flood Zone A denotes areas within the 100-year flood plain, Flood Zone B denotes areas within the 500-year flood plain, and Flood Zone C denotes areas outside of any designated flood plain. Further, the Master Plan indicates that the overall site plan does contain areas delineated as non-tidal wetlands. No building lots will be located within a flood plain, delineated wetlands, or a required buffer area. The Developers have obtained the necessary wetlands permits to permit construction of the developments.

The District encompasses two adjacent residential communities that cover 671 acres in the aggregate. “Arcola Woodcliffe Park” (formerly, “King’s Crossing”) is comprised of approximately 414 acres of land, and “Artery Woodcliffe Park” (formerly, “Hoyles Mill Village”) is comprised of approximately 252 acres of land. In addition, the District includes a 5-acre parcel of property owned by an unrelated third party, which is located within the boundaries of the Arcola Woodcliffe Park residential development property and which is considered “Exempt Property” for purposes of the Special Taxes and Special Assessments levied by the County. See “THE DISTRICT - Methodology for Levying the Special Taxes and Special Assessments.” (See also, “West Germantown Development District Map” – Figure 3 on Page iv.)

Together, the Artery Woodcliffe Park and Arcola Woodcliffe Park projects will ultimately provide for the construction of 1,393 total units, which total includes 1,096 single family detached homes, 195 townhomes, and 102 multi-family units. Eighty-one of the single-family townhouse units and all of the multi-family units will consist of moderately priced dwelling units (“MPDU’s”) under the County’s MPDU program. Arcola commenced development of Arcola Woodcliffe Park in April 2000. Arcola Woodcliffe Park will include 714 single family detached homes and 102 multi-family dwelling units. Artery commenced development of Artery Woodcliffe Park in May 1998. Artery Woodcliffe Park will include 382 single family detached homes and 195 townhomes. Artery has a site plan amendment pending which, if approved, would increase the total number of units in Artery Woodcliffe Park from 577 to 580, of which 84 units would be MPDU units. Approval of this site plan amendment is anticipated by Spring 2002.

Properties Surrounding the District

Immediately to the south of the District the County has nearly completed a large regional park known as the "South Germantown Recreational Park." The County, together with a private non-profit corporation, the Maryland Soccer Foundation, Inc., has spent over $19 million to construct within the South Germantown Recreational Park a "SoccerPlex" consisting of 22 soccer fields, including a championship tournament field, an indoor arena with two multi-purpose athletic fields and supporting facilities and infrastructure. In addition to the SoccerPlex, the County has constructed or plans to construct basketball courts, softball fields, a picnic area, an adventure playground, a splash playground, a BMX bicycle track, a nature center, a tennis center, an indoor aquatic center and a golf driving range.

To the east of the properties located within the District are existing and planned residential developments, including a development known as "Kingsview Village" which is nearing completion and will ultimately contain 432 single family detached houses, 272 townhouses and 195 multifamily units. Also to the east is an existing residential development known as "Kingsview Knolls" consisting of approximately 40 single family detached houses. Immediately to the west of the District is the streambed for the Little Seneca Creek surrounded by woods and forests that serves as a natural buffer to other developments further to the west of the District. Black Hills Regional Park, featuring a scenic lake, hiker/biker trails, and a picnic and playground area, is located to the northwest of the District. North of the District on the south side of Clopper Road is a development known as "Seneca View" consisting of 80 single family detached and 20 townhouses. Further north on the other side of Clopper Road is an existing residential community. (See "Germantown Vicinity Map" – Figure 2 on page iii.)

Development Plans and Schedules for the Developments

<u>**General**</u>

Each of the Developers is engaged in the business of acquiring raw land, obtaining the necessary zoning and other government entitlement approvals, and constructing finished lots for sale to homebuilders. Each of Arcola and Artery has developed a site plan within its respective development project and has commenced the delivery of finished lots to homebuilders which is described in more detail below.

The Developers have each obtained all of the zoning and land use approvals that are within the discretion of the Montgomery County Planning Board required for development of their respective projects (*see* "Governmental Approvals – Planning, Zoning, and Approval Process").

Construction of the bulk of the public infrastructure has been completed for both the Arcola Woodcliffe Park and Artery Woodcliffe Park projects. See "THE DISTRICT - The Improvements." Each of the Developers has entered into contracts with homebuilders for substantially all of the lots within their respective properties, and each has delivered a substantial number of finished lots. A summary of the homebuilders who have entered into lot purchase agreements with each Developer and those that have purchased finished lots, together with a summary of the type of homes constructed or expected to be constructed by such homebuilders appears under the heading "Residential Development Mix and Homebuilders." The following table sets forth the status of development as of December 31, 2001.

Property Owner	No. of Units	Type of Unit	Section	Status of Property
Toll LP	223	Single Family	Artery WP	Land development and home construction in progress
Artery Homes	9	Single Family	Artery WP	Land development complete; homes under construction
Artery	38	Townhouses	Artery WP	Land development complete; negotiating for sale of lots
Arcola	540	Single Family	Arcola WP	Under development; 100 % pre-sold to builders
Premiere	2	Townhouses	Artery WP	Land Development complete; homes under construction
Ryland	33	Single Family	Arcola WP	Land Development complete; homes under construction
Richmond American	52	Single Family	Arcola WP	Land Development complete; homes under construction
Ryan/NV	35	Single Family	Arcola WP	Land Development complete; homes under construction
Craftmark	7	Single Family	Arcola WP	Land Development complete; homes under construction
Mid-Atlantic	1	Single Family	Arcola WP	Land Development complete; homes under construction
Hovnanian/Washington Homes	15	Single Family	Arcola WP	Land Development complete; homes under construction
Subtotal - Builder/Developer:	**955**			
Individual Homeowners	304	Single Family	Artery WP	Development Complete
Individual Homeowners	134	Single Family	Arcola WP	Development Complete
Subtotal - Homeowners:	**438**			
Total Units:	**1,393**			

The role of each of the Developers is to oversee the development of its project in conformance with the governmental approvals and other applicable requirements, to manage the construction of the public improvements serving the development projects, to coordinate the marketing efforts of the homebuilders within the development projects and to manage the construction of the necessary internal infrastructure, including roads, curbing and gutter, sidewalks, bike paths, sewer connections, utility hookups, grading, and other development activities needed to finish individual lots for sale to homebuilders.

Joint Agreements

Artery and Arcola have entered into a Development Agreement dated January 16, 2001 (the "Development Agreement") which provides for the management and control of the development of all public improvements benefiting the two residential projects, including the Improvements to be funded through the proceeds of the 2002 Bonds. To facilitate the management of such public improvements, the Developers have formed a limited liability company, Woodcliffe Development District, LLC ("Woodcliffe"), which is owned 50 percent by Arcola and 50 percent by Artery. The General Managers of Woodcliffe consist of a representative from each of Arcola and Artery; however the construction of the Improvements is being managed directly by Arcola or by Artery. See "THE DISTRICT - The Improvements." Woodcliffe will submit payment requests to the County pursuant to the Implementation Agreement, receive such payments from the County, and disburse such amounts to Artery and Arcola. The Developers have agreed under the Development Agreement to divide the proceeds received by Woodcliffe from the County, as well as cost reimbursements from third party developers for infrastructure improvements benefiting such developers, in accordance with a formula that seeks to equitably reimburse each Developer for the cost to construct the infrastructure for which it is responsible, as well as reflect the overall burden of the Special Taxes and Special Assessments to be levied by the County on the properties located on its respective development.

The consent of both of the General Managers of Woodcliffe representing Artery and Arcola is required for any acts which deviate from the agreed upon development schedule and distribution of County payments to the Developers out of the 2002 Bond proceeds. The Development Agreement provides that in the event that either Developer fails to construct and provide any infrastructure improvement for which it is responsible in accordance with the agreed plans and specifications and time schedule, the other non-defaulting Developer has the right, following the delivery of written notice and a cure period, to construct and provide such infrastructure improvement, in which case that Developer shall be entitled to receive from Woodcliffe the amounts which would have been paid to the defaulting Developer with respect to such infrastructure improvements, plus interest at an annual rate of prime plus 4%. The Development Agreement further provides for final and binding arbitration of all disputes arising between the Developers under the Development Agreement.

The Developers have also entered into Recreation Facility Development Agreement dated January 16, 2001 (the "Recreational Facility Agreement") pursuant to which they have agreed to construct a common recreational facility to serve both residential projects. This recreational facility will include one or two swimming pools and a wading pool, together with a community building, a meeting room, and may include a kitchen, an exercise room and locker rooms. The Recreational Facility Agreement provides that the common recreational facility will be constructed by Arcola on land located within Arcola Woodcliffe Park, in accordance with an agreed budget and time schedule, with the cost of construction shared by Artery and Arcola in accordance with agreed percentages based on the number of approved lots in each development. The recreational facility will be managed by a board comprised of representatives from each of the homeowners associations established for each of Arcola Woodcliffe Park and Artery Woodcliffe Park. Such homeowners associations are initially being managed by the respective Developers, with control passing to the homeowners once a substantial number of lots have been sold in accordance with the homeowners association documents.

Arcola Woodcliffe Park

The Arcola Woodcliffe Park project contemplates the development of lots for 816 housing units, including 714 single family detached residential units and 102 multi-family MPDU units. Arcola is contemplating amending its site plan approvals to allow for the construction of MPDU townhome units in place of the multi-family units, which would likely reduce the number of such MPDU units overall to approximately 65 units. As of December 31, 2001, the lot development plan and schedule for sale to homebuilders for the Arcola Woodcliffe Park project, which lots are all under contract, is as follows*:

Section 1A & B (167 detached single family lots)	
— Development	Completed Fall 2000
— Lot Sales	Began in December 2000
Section 2A (43 detached single family lots)	
— Development	Completed - June 2001
— Lot Sales	Began in May 2001
Section 3A (220 detached single family lots)	
— Development	Completed - August 2001
— Lot Sales	Began in August 2001
Section 2B & C (66 detached single family lots)	
— Development	March 2001 – May 2002
— Lot Sales	Beginning February 2002

Section 3B & C (218 detached
single family lots)

— Development	November 2001 – August 2002
— Lot Sales	Beginning May 2002

102 multi-family
MPDU units

— Development	December 2002
— Sale	December 2002

* Lot development is scheduled to occur in 3 Phases as indicated by the "Development Schedule" set forth in the table below.

ARCOLA FINISHED LOT COMPLETION SCHEDULE

No Lots	**Builder / Lot Size**	**Lot Size**	**Sect.1A Sep-00***	**Sect. 1B Oct-00***	**Sect.2A Jun-01***	**Sect. 3A Aug-01***	**Sect. 2B Jun-02****	**Sect. 3B, 2C,3C Aug-02****
94	**Richmond American**	**standard**				51		43
140	**Ryland**	**standard**	13	34		53		40
23	**Ryland**	**standard**	2	21				
84	**Ryan**	**standard**	13	27		29		15
6	**Ryan**	**standard**	6					
6	**Ryan**	**standard**	2	4				
11	**Ryan**	**standard**		11				
105	**Ryan**	**neo-trad.**				56		49
44	**Hovnanian/Washington**	**standard**	11	23		10		
9	**Hovnanian/Washington**	**standard**				9		
65	**NV**	**large**			21	5	22	17
27	**NV**	**standard**						27
50	**Craftmark**	**large**			22		28	
50	**Mid Atlantic**	**large**				7		43
102	**Premiere**	**garden**						102
816	**Total**		**47**	**120**	**43**	**220**	**50**	**336**
Development Schedule → → →			**Phase 1:**	**167**	**Phase 2:**	**263**	**Phase 3:**	**386**

Phase 1	167
Phase 2	263
Phase 3	386
Total	**816**

Richmond American	94
Ryland	163
Hovnanian/Washington Homes	53
NV Homes	92
Premiere Homes	102

Craftmark	50
Mid Atlantic	50
Ryan	212
Total	**816**

[*Actual Completion; **Projected Completion]

<u>Artery Woodcliffe Park</u>

The development of Artery Woodcliffe Park contemplates the development of lots for 577 residential units, including 382 single family detached units and 195 single family attached units, of which 81 of the single family attached units will be MPDU units. Artery has a site plan amendment pending which would increase the number of units to 580 units, of which 84 would be MPDU units. Approval of this amendment is anticipated by Spring 2002. The current lot development plan and schedule for sale to homebuilders for the Artery Woodcliffe Park project is as follows:

Section 1-A (79 detached,
53 attached and 23 MPDU lots)

— Development,	<u>Completed</u> - June 1999
— Lot Sales	<u>Completed</u> - December 2000

Sections 1-B and 1C (80 detached,
61 attached, and 20 MPDU lots)

— Development	<u>Completed</u> - September 2000
— Lot Sales	<u>Completed</u> – November 2001

Section 2 (223 lots*)

— Lot Sales	<u>Completed</u> – December 2000

Section 2-A* (147 single-
family detached lots)

— Development	January 2001 - September 2002

Sections 2-B* and 2-C* (76 single
family detached lots

— Development	January 2001 – September 2005

Section 2 (38 MPDU lots)

— Development	January 2001 – September 2004

* Artery settled on a bulk sales contract to sell all 223 lots in Section 2 of the Artery Woodcliffe Park project to Toll LP. Pursuant to this contract, Artery will develop the lots in accordance with a schedule agreed with Toll LP. The schedule provides for Artery to develop 147 of the 223 lots by September 2002, with the remaining 76 lots to be developed during the 2002-2005 period.

Residential Development Mix And Homebuilders

The Developers have entered into lot purchase contracts for substantially all of the lots located within their respective developments, as described in more detail below.

Arcola Woodcliffe Park

As of December 31, 2001, Arcola had executed lot purchase contracts with the following homebuilders to purchase lots in Arcola Woodcliffe Park:

Arcola Woodcliffe Park Sales Summary

Builder	Lot Size	Number of Lots	Price Per Lot	Total Base Sales Price	Start Date of Annual 6% Price Escalation	Takedown Pace/By Unit
Ryland	Standard	140	$ 98,000	$ 13,720,000	7/1/00	12/34/54/40*
Ryland	Standard	23	$ 98,000	$ 2,254,000	7/1/00	2/21*
Richmond American	Standard	94	$ 105,000	$ 9,870,000	7/1/00	54/40*
Ryan Homes	Standard	77	$ 106,000	$ 8,162,000	10/1/00	6 / per qtr.
Ryan Homes	Standard	7	$ 103,000	$ 721,000	10/1/00	6 / per qtr.
Ryan Homes	Standard	23	$ 103,000	$ 2,438,000	10/1/00	6/6/11*
Ryan Homes	Neo-Trad.	55	$ 85,000	$ 4,675,000	10/1/00	12 / per qtr.
Ryan Homes	Neo-Trad.	50	$ 83,000	$ 4,150,000	10/1/00	12 / per qtr.
NV Homes	Large	65	$ 115,000	$ 7,475,000	9/1/00	5 / per qtr.
NV Homes	Standard	27	$ 106,000	$ 2,862,000	9/1/00	6 / per qtr.
Hovnanian/Washington Homes	Standard	44	$ 87,500	$ 3,850,000	1/1/00	6 / per qtr.
Hovnanian/Washington Homes	Standard	9	$ 105,000	$ 945,000	1/1/00	6 / per qtr.
Craftmark	Large	50	$ 115,000	$ 5,750,000	12/1/00	5 / per qtr.
Premiere Homes	MPDU	102	$ 10,000	$ 1,020,000	N/A	**
Mid Atlantic	Large	50	$ 115,000	$ 5,750,000	10/1/00	5 / per qtr.
	Total	816		$ 73,642,000		

Summary:

MPDU.	102	$ 1,020,000
Neo-Traditional	105	$ 8,825,000
Standard	444	$44,822,000
Large	165	$18,975,000
Total	816	$73,642,000

Estimated Escalation	$ 6,058,000
Total Sales Prices	**$79,700,000**

*/ The lot sale contracts with these builders do not call for a specified lot takedown per quarter, but rather indicate that a certain number of lots must be taken down in each grouping, which numbers are reflected in the above table.

**/ Closing on all 102 units shall take place thirty (30) days after approval and allocations by the State of Maryland Community Development Commission and the Montgomery County Maryland Department of Housing and Community Affairs for rental of MPDU's, but in no event earlier than July 1, 2003.

Arcola is holding substantial builder deposits guaranteeing each builder's performance under the lot purchase contracts. The following table sets forth the amount of the deposits being held by Arcola as of December 31, 2001.

BUILDER DEPOSITS ON LAND			
Builder	Deposit Amount	Releases	Deposit Balance
Craftmark	$293,250.00		$293,250.00
Mid-Atlantic	$287,500.00		$287,500.00
NV	$516,000.00		$516,000.00
Premiere	$ 50,000.00		$ 50,000.00
Richmond American	$100,000.00		$100,000.00
Ryan	$999,600.00		$999,600.00
Ryland	$455,700.00	($89,700.00)	$366,000.00
Hovnanian/Washington	$142,750.00		$142,750.00
Total:	**$2,844,800.00**	**($89,700.00)**	**$2,755,100.00**

All lot purchase contracts entered into by Arcola with each of the homebuilders, with the exception of Premiere Homes, provide for the sale by Arcola of finished lots to the homebuilder at an agreed purchase price per lot, subject to an escalation charge, in accordance with an agreed lot takedown schedule. In addition to the purchase price, the homebuilder pays certain additional charges to Arcola, including fees with respect to the recreational facility, marketing of the subdivision, and connection of the home to utilities, at the time of settlement of each lot. Finished lots are building lots for which Arcola has completed the grading, sediment control and storm water management work, installed the streets, curb and gutter and streetscape improvements for the roads providing access to the lots, installed utilities to the lot boundaries, and has provided or has agreed to provide other amenities which benefit the development. The MPDU's parcel, under contract to Premiere Homes, is to be delivered on an "as-is" basis.

As of December 31, 2001, Ryland Homes had settled on the purchase of 94 lots, Ryan Homes 70 lots, Richmond American 51 lots, Hovnanian/Washington Homes 39 lots, Craftmark Homes 13 lots, NV Homes 8 lots, and Mid Atlantic 1 lot, for a total of 276 of the 430 lots located within Phases 1 and 2 of Arcola Woodcliffe Park as indicated on the table below:

ARCOLA FINISHED LOT SALES TO BUILDERS / HOME SALES							
# of Lots	Builder	Lot Size	FINISHED LOT SALES TO BUILDERS As of December 31, 2001			HOME SALES TO HOMEOWNERS As of December 31, 2001	
			avg. per lot	*total*	*# lots*	*# lots under contract*	*# lots settled*
94	**Richmond American**	**standard**	$113,111	$5,769,000	51	23	0
163	**Ryland**	**standard**	$102,723	$9,656,000	94	95	61
107	**Ryan**	**standard**	$107,403	$6,122,000	57	66	40
105	**Ryan**	**neo-trad.**	$87,846	$1,142,000	13	17	0
53	**Hovnanian/Washington**	**standard**	$95,282	$3,716,000	39	37	24
65	**NV**	**large**	$120,750	$966,000	8	14	3
27	**NV**	**standard**					
50	**Craftmark**	**large**	$119,615	$1,555,000	13	23	6
50	**Mid Atlantic**	**large**	$121,000	$121,000	1	0	0
102	**Premiere**	**garden**					
816	**Total**		**Total**	**$29,047,000**	**276**	**Total: 275**	**Total: 134**

The current average sales prices for homes located in Arcola Woodcliffe Park (by homebuilder) are: (i) for single family detached homes: $372,378 for Hovnanian/Washington Homes; $402,934 for Ryan Homes; $335,306 for Ryan Neo-Traditional Homes; $524,164 for NV Homes; $378,811 for Ryland Homes; $392,374 for Richmond American; $450,000 (estimated) for Mid Atlantic; and $546,397 for Craftmark Homes; and (ii) Premiere Homes multi-family MPDU dwelling units for rent at an average of $1,100 per month.

The following information concerning the homebuilders which have entered into lot purchase contracts with Arcola was obtained by Arcola from public sources which are deemed to be reliable. None of the County, the Underwriter or Arcola have, however, independently verified this information, and none of such parties assumes any responsibility for its accuracy. Any references to internet website pages are for convenience only, and the information on such internet website pages is **not** incorporated herein, by reference or otherwise.

Hovnanian/Washington Homes, Inc., formerly Washington Homes, is a publicly held company. On January 23, 2001, Washington Homes, Inc., a Maryland corporation, merged with Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), in a transaction whereby Washington Homes merged with and into a wholly-owned subsidiary of Hovnanian.[1]

Through its various subsidiaries, Hovnanian constructs homes in Maryland, Virginia, Pennsylvania, New Jersey, North Carolina, Tennessee, Texas, California, Alabama and Mississippi. It designs, builds and markets single-family detached homes, town homes and condominium homes primarily to first-time and first move-up homebuyers. A total of 2,517 homes were delivered by Washington Homes in 2000. The average sales price of the homes was approximately $184,300.[2]

Prior to the merger, K. Hovnanian Companies, a homebuilding subsidiary of Hovnanian, was ranked as the eighteenth largest homebuilder in the metropolitan Washington, D.C. area with 239 units sold and 10 projects in 1999. Its top performing jurisdictions, in terms of units sold, were Prince William and Loudoun Counties in Virginia and Montgomery County in Maryland.

Meanwhile, prior to the merger, Washington Homes ranked as the second largest homebuilder in the metropolitan Washington, D.C. area with 1,267 units sold and 34 projects in 1999. Its top performing jurisdiction in Maryland was Prince George's County.[3]

Ryan Homes. Ryan Homes, one of the top ten homebuilders in the United States, is the home-building subsidiary of NVR, Inc. ("NVR"), a McLean, Virginia based publicly-held corporation. NVR was formed in 1980 as NVHomes, Inc.[4] NVR is one of the largest homebuilders in the United States and in the Washington, D.C. and Baltimore, Maryland metropolitan areas, where NVR derived approximately 61% and 62% of its aggregate homebuilding revenues in 2000 and 1999, respectively.[5] In 1999, NVR (including its subsidiaries Ryan Homes and NVHomes) was ranked as the largest homebuilder in the Washington, D.C. metropolitan area with 2,912 units sold and 133 projects underway. Its top performing jurisdictions were Prince William County in Virginia and Montgomery County in Maryland.[6]

Ryan Homes has been building quality single-family homes, town homes and condominiums for over 50 years. Ryan Homes operates in New York, New Jersey, Pennsylvania, Delaware, Ohio, North Carolina, South Carolina, Tennessee, Maryland and Virginia.[7] The Ryan Homes product is built largely in the Washington metropolitan area and is moderately priced and marketed primarily towards first-time buyers.[8]

---

1 *Hovnanian Enterprises Inc.'s SEC 8-K report dated January 23, 2001* (visited Dec. 31, 2001) <http://www.sec.gov/Archives/edgar/data/357294/000089375001000082/0000893750-01-000082.txt >.

2 *Washington Homes' SEC 10-K filing for the Fiscal Year Ended July 31, 2000* (visited Dec. 31, 2001) <http://www.sec.gov/Archives/edgar/data/104834/000095016400000042/0000950164-00-000042.txt >.

3 *Largest homebuilders in the metro area,* Washington Business Journal Book of Lists, 2001, at 208.

4 *About Ryan Homes* (visited Dec. 31, 2001) <http://www.ryanhomes.com/about.asp>.

5 *NVR's SEC 10-K Filing For the Fiscal Year Ended December 31, 2000* (visited Dec. 31, 2001) <http://www.sec.gov/Archives/edgar/data/906163/000092838501000729/0000928385-01-000729.txt >.

6 *Largest homebuilders in the metro area,* Washington Business Journal Book of Lists, 2001, at 208.

7 *About Ryan Homes* (visited Dec. 4, 2001) <http://www.ryanhomes.com/about.asp>.

8 *NVR's SEC 10-K Filing For the Fiscal Year Ended December 31, 2000* (visited Dec. 31, 2001) <http://www.sec.gov/Archives/edgar/data/906163/000092838501000729/0000928385-01-000729.txt >.

NVHomes. NVHomes is also a subsidiary of NVR. NVHomes builds largely in the Washington, D.C. metropolitan area, and markets primarily to "move-up" and "up-scale" buyers.[9] NVHomes has been honored repeatedly with *Finest for Family Living Awards* from the building industry as well as *Major Achievement in Marketing Excellence* honors.[10]

Craftmark Homes. Craftmark Homes, focused on luxury single family homes, is a subsidiary of The Craftmark Group. The Craftmark Group, a McLean based homebuilder, is the largest privately held homebuilder in the Washington, D.C. metropolitan area based on dollar volume sales. The Craftmark Group recorded in fiscal year 2000 its highest earnings on revenues of $189 million in the company's nine-year history. The Craftmark Group had settlements of 485 homes in the Washington/Baltimore region and outlying counties in 2000.[11] In terms of units sold, Craftmark Homes is ranked the ninth largest homebuilder based on number of units sold in the year 2000, jumping from a ranking of twenty-second largest homebuilder in the Washington, D.C. metropolitan area with 192 units in 1999. Its top performing jurisdictions (also in terms of units sold) in 1999 were Fairfax County, Virginia and Montgomery County, Maryland.[12]

Richmond American Homes. Richmond American Homes, a top ten national homebuilder, is a wholly-owned home-building subsidiary of the publicly held company, M.D.C. Holdings, Inc. ("MDC").[13] MDC is the largest homebuilder in metropolitan Denver; among the top five homebuilders in Northern Virginia, suburban Maryland, Tucson and Colorado Springs; and among the top ten builders in southern California, Phoenix, Las Vegas and the San Francisco Bay Area. MDC designs, builds and sells quality single-family homes at affordable prices, generally for the first-time and move-up buyer. Approximately 79% of its homes closed in 2000 were in subdivisions targeted to the first-time and first-time move-up buyers, compared to 71% and 74% in 1999 and 1998, respectively.[14] Richmond American Homes is ranked the sixth largest homebuilder in the Washington metropolitan area with 738 units sold and 29 projects in 1999. Its top performing jurisdiction in Virginia was Prince William County.[15]

Mid Atlantic Builders. Mid Atlantic Builders is a privately held mid-size building company. In 2000, it had over $40 million in revenue and 124 home sales. By the end of 2001, it expected to sell 114 homes in three Prince George's County subdivisions at an average price of $330,000, in one Montgomery County subdivision at an average price of $400,000, and in one Northern Virginia subdivision at an average price of $450,000. Mid Atlantic Builders exclusively builds upscale single-family detached homes. Arcola Woodcliffe Park will be an additional Montgomery County project for Mid Atlantic Builders.

Ryland Homes. Ryland Homes ("Ryland") is a subsidiary of The Ryland Group, Inc., a Maryland corporation publicly traded on the New York Stock Exchange. Ryland is one of the nation's largest single-family on-site homebuilders and currently builds in 21 markets.[16] Ryland sells detached and attached single family homes generally targeted to the entry level, first and second-time move-up home buyers, as well as the active-adult retirement market.[17] Ryland's home prices range from $72,000 to more than $500,000.[18] Ryland was ranked the

---

9 *Id.*

10 *NVR, Inc. - NVHomes* (visited Dec. 4, 2001) < http://www.nvrinc.com/nvhomes.htm>.

11 *Press Release December 18, 2001* (visited Dec. 31, 2001) <http://www.craftmarkhomes.com/press/pr1218b2001.html>.

12 *Largest homebuilders in the metro area,* Washington Business Journal Book of Lists, 2001, at 208.

13 *MDC Holdings' SEC 10-K Filing For the Fiscal Year Ended December 31, 2000* (visited Dec. 31, 2001) <http://www.sec.gov/Archives/edgar/data/773141/000095013401000993/0000950134-01-000993.txt >.

14 *Id.*

15 *Largest homebuilders in the metro area,* Washington Business Journal Book of Lists, 2001, at 208.

16 *Ryland Investors' Overview* (visited Dec. 31, 2001) <http://www.ryland.com/index_investor_NL.asp>.

17 *The Ryland Group, Inc's. SEC 10-K Filing For the Fiscal Year Ended December 31, 2000* (visited January 31, 2001) <http://www.sec.gov/Archives/edgar/data/85974/000095015001000087/0000950150-01-000087.txt >.

18 *Id.*

eleventh largest homebuilder in the Washington metropolitan area with 517 units sold and 12 projects in 1999. Its top performing areas were Cameron Station in Virginia and the Lakelands in Maryland.[19] Nationally, Ryland built 11,418 homes in 2000.[20]

Premiere Homes. Premiere Homes was established in 1979 as a privately held corporation by John Smart to purchase, develop and sell finished residential lots to local and national homebuilders. In 1983, under the direction of Kevin Smart, the company began a homebuilding division. In 1994 the company was reorganized into a Maryland limited liability company operating as Smart Development / Premiere Homes, LC. Since 1983, Premiere Homes has built 430 single-family homes and 546 townhouses primarily in Montgomery County and Prince George's County, Maryland.[21]

Artery Woodcliffe Park

As of December 31, 2001, Artery had executed lot purchase contracts with the following homebuilders to purchase lots in Artery Woodcliffe Park:

Artery Woodcliffe Park Sales Summary

Builder	Lot Size	Number of Lots	Price Per Lot	Total Sales Price	Start Date of Annual 4% Escalation	Sold to Date	Takedown Pace/By Unit
Richmond American	75'	50	$80,000	$4,000,000	12/1/99	50	bulk - 2 takes
Centex	75'	38	$90,000	$3,420,000	12/1/99	38	6/quarter
Ryan	60'	54	$79,200	$4,276,800	12/1/00	54	6/quarter
Artery / Bentor	75'	17	$90,000	$1,530,000	12/1/00	17	2/quarter
Ryland	Townhomes	61	$46,500	$2,836,500	09/1/00	61	9/quarter
Richmond American	Townhomes	53	$42,000	$2,226,000	06/1/00	53	6/quarter
Premiere	Townhomes-MPDU	43	$15,500	$666,500	06/1/00	43	bulk - 2 takes
To be determined*	Townhomes-MPDU	38	(est.)$15,500	$589,000	N/A	0	6/quarter
Toll LP	75'	223	$41,620	$9,281,260	N/A	223	bulk
	Total	577		$28,826,060		539	
Summary:							
	Single-family - 75'	328		$18,231,260			
	Single-family - 60'	54		$ 4,276,800			
	Townhomes	114		$ 5,062,500			
	Townhomes – MPDU	81		$ 1,255,500			
	Total	577		$28,826,060			
Escalations				$ 496,828			
Total Sales Prices				**$29,322,888**			

*The MPDUs in Section 2 have not been sold at this time. Artery expects to negotiate with any of Premiere, Classic Homes and Craftstar to sell these 38 lots.

---

19 *Largest homebuilders in the metro area,* Washington Business Journal Book of Lists, 2001, at 208.

20 *Ryland Investors Relations* (visited Dec. 31, 2001) <http://www.ryland.com/index_investor_NL.asp>.

21 This information comes directly from a summary provided by Dan Monias, Comptroller for Smart Development/Premiere Homes, LC. (reviewed December 31, 2001).

Generally, the lot purchase contracts entered into by Artery with each of the homebuilders provide for the sale by Artery of finished lots to the homebuilder at an agreed purchase price per lot, subject to an escalation charge, in accordance with an agreed lot takedown schedule. In addition to the purchase price, the homebuilder pays certain additional charges to Artery including charges with respect to the recreational facility, marketing of the subdivision, and connection of the home to utilities at the time of settlement of each lot. Finished lots are building lots for which Artery has completed the grading, sediment control and storm water management work, installed the streets, curb and gutter and streetscape improvements for the roads providing access to the lots, installed utilities to the lot boundaries, and has provided or has agreed to provide other amenities which benefit the development.

The agreement entered into between Artery and Toll LP, effective as of December 1, 2000, provided for the closing of the bulk sale of raw land which will later be developed into 223 building lots, with the agreement by Artery to complete the lot development work in accordance with an agreed-upon lot development schedule. As of December 31, 2001, Artery had substantially completed the development of 64 lots for Toll LP in Section 2. Artery received at the closing of the lots a portion of the purchase price, with the balance of the purchase price deferred until finished lots are completed based on an annual schedule that started in 2001. The deferred portion of the purchase price is secured by a promissory note and deed of trust on the property from Toll LP. In addition, Artery is entitled to receive a lot finishing fee for a fixed dollar amount per lot, subject to escalation at the rate of 3.5% per year, which is to be paid in part upon substantial completion of the lot finishing work and with the balance upon final completion. The cost of development is to be advanced by Toll LP to Artery on a progress payment basis, with the amounts advanced credited against the ultimate per lot finishing fee.

As of December 31, 2001, homebuilders had entered into sales contracts to sell approximately 340 homes, and had settled on approximately 304 homes located in Artery Woodcliffe Park.

The current announced average sales prices for homes located in Artery Woodcliffe Park (by homebuilder) are: (i) for single family detached homes: $275,000 for Richmond American Homes, $295,000 for Centex Homes, $250,000 for Ryan Homes, $400,000 for Artery Homes, and mid-$300,000’s to $400,000 expected for Toll LP and (ii) for single family townhouses: $170,000 for Ryland Homes, $170,000 for Richmond American Homes, and $100,000 for Premiere Homes.

The following information concerning the homebuilders that have entered into lot purchase contracts with Artery was obtained by Artery from sources that are deemed to be reliable. None of the County, the Underwriter or Artery have, however, independently verified this information, and none of such parties assumes any responsibility for its accuracy. Any references to internet website pages are for convenience only, and the information on such internet website pages is **not** incorporated herein, by reference or otherwise.

Richmond American Homes. See above under “Arcola Investments Associates”.

Centex Homes. Centex Homes, the nation’s second largest on-site homebuilder, is a subsidiary of Centex Corporation, a publicly held company. Centex Homes sells single-family homes, town homes and low-rise condominiums to both first-time and move-up buyers in more than 480 neighborhoods serving approximately eighty different markets. Approximately 89% of the houses Centex Homes sells are single-family detached homes and the remainder are town homes and low-rise condominiums. [22] It is ranked the eighth largest homebuilder in the Washington metropolitan area with 682 units sold and 19 projects in 1999. Its top performing jurisdictions in Maryland and Virginia were Montgomery County and Fairfax County, respectively.[23]

Centex Homes is the only builder to rank among the Top 10 on Professional Builder’s “Giant 400” every year since the survey was first published in 1968. In 19 of those years, Centex Homes has held either first or second place.

22 *Centex Corporation’s SEC 10-K Filing For the Fiscal Year Ended March 31, 2001* (visited Dec. 3, 2001) <http://www.sec.gov/Archives/edgar/data/18532/000095013401503244/d88153e10-k.htm>.

23 *Largest homebuilders in the metro area,* Washington Business Journal Book of Lists, 2001, at 208.

Ryan Homes. See above under "Arcola Investment Associates."

Ryland. See above under "Arcola Investment Associates."

Premiere Homes, Inc. See above under "Arcola Investment Associates."

Artery Homes. Artery Homes, a subsidiary of The Artery Group, has received an assignment of a purchase contract entered into by Bentor Homes, LLC, an affiliated company, to build homes on 17 lots located in the Artery Woodcliffe Park Development. Artery Homes has been building homes in the Washington, D.C. metropolitan area since 1959. Through the early 1990s, Artery Homes was one of the largely privately held homebuilders in the area, building an average of 350 homes per year. In the mid-1990s, Artery Homes re-engineered its operations to begin focusing on product lines for the higher end consumer. The company's new objective is to build approximately 100 homes each year in markets and locations positioned for move-up homeowners. Artery Homes is managed by its President, Bennett H. Goldberg.

Toll LP. Toll LP is a limited purpose entity controlled by Toll Brothers, Inc. Toll Brothers, Inc., a Delaware corporation, is principally traded on the New York Stock Exchange and is also listed on the Pacific Stock Exchange. It designs, builds, markets and arranges financing for luxury single-family homes in middle and high-income residential communities catering to both move-up and empty nester homebuyers. In 2000, the company closed sales on 1,293 homes in the Maryland, Virginia, Pennsylvania and Delaware areas and had an additional 1,280 under contract (3,945 and 4,418 nation-wide, respectively).[24] It was ranked the ninth largest homebuilder in the Washington metropolitan area with 650 units sold and 30 projects in 1999. Its top performing jurisdictions were Fairfax/Loudoun Counties, Virginia and Montgomery County, Maryland.[25]

Proposed Amenities

As discussed above under "--Development Plans and Schedules for the Developments -- Joint Agreements" Arcola and Artery have planned the construction of a common recreational facility, including up to three swimming pools, potentially including a lap pool, a general recreational pool and a wading pool, and a clubhouse located off of King's Crossing Boulevard within the boundaries of Arcola Woodcliffe Park. This recreational facility will serve the residents of both developments. Other amenities within the Woodcliffe Park developments are expected to include bicycle paths and several tot lots and play areas.

As part of the infrastructure funded through the District, two local public parks will be constructed, one within the boundaries of the Arcola Woodcliffe Park project and the other within the boundaries of the Artery Woodcliffe Park project. The size of the Arcola Woodcliffe Park local public park will be approximately ten acres. Included within the park will be a softball field, volleyball court, multi-age playground and a tot lot. The Arcola Woodcliffe Park local park will be located off of King's Crossing Boulevard and will be adjacent to the shared swimming pool facilities.

The local public park for the Artery Woodcliffe Park Development will be located off of Schaeffer Road and will also be approximately ten acres in size. The amenities to be included within the Artery Woodcliffe Park local park will include a softball field, basketball court, multi-age play area, and an open picnic shelter.

In addition to the local public parks, residents of the communities will have ready access to the South Germantown Recreational Park, which includes multiple amenities as described above under "THE DEVELOPMENTS - Properties Surrounding the District," and is adjacent to the southern border of the Artery Woodcliffe Park subdivision and the eastern border of the Arcola Woodcliffe Park subdivision, and will be accessible via an asphalt pathway.

---

24 *Toll Brothers' SEC 10-K Filing For the Fiscal Year Ended October 31, 2000* (visited Dec. 31, 2001) <http://www.tollbros.com/Investor_Relations/downloads/10K_statements/2000-10k.pdf>.

25 *Largest homebuilders in the metro area,* Washington Business Journal Book of Lists, 2001, at 208.

Estimated Development Costs and Sources of Funds

The following table sets out the total combined estimated development costs for the public infrastructure improvements in Arcola Woodcliffe Park and Artery Woodcliffe Park to be funded from the proceeds of the 2002 Bonds, as indicated under the caption "THE DISTRICT -- The Improvements" above:

Developer	Improvement	Estimated Cost
Public Improvements – Schedule A (Primary Improvements)		
(Arcola)	A-297 Phases 1, 2, & 3 – Clopper to Ashleigh Green	$ 3,471,254
(Artery)	A-297 Phase 4 – Ashleigh Green to Avatar	$ 1,227,528
(Artery)	A-297 Phase 5 – Avatar to Schaeffer	$ 526,084
(Arcola)	A-297 Phase 6 – Schaeffer to Route 118	$ 2,156,047
(Arcola)	Hoyles Mill Pump Station & Force Main Phases 1-2	$ 3,256,248
(Artery)	Hoyles Mill Force Main – Phase 3	$ 305,020
(Artery)	Hoyles Mill Force Main – Phase 4 (part)	$ 276,752
(Artery)	Schaeffer Road Improvements	$ 992,244
(Arcola)	Arcola Local Public Park	$ 310,000
(Artery)	Artery Local Public Park	$ 310,000
	Total Estimated Cost of Schedule A Improvements:	$12,831,177
Public Improvements – Schedule B (Additional Improvements)		
Developer	**Improvement**	**Estimated Cost**
(Arcola/Artery)	Force Main &Outfall Sewers	$ 2,010,555
(Arcola/Artery)	Clopper Rd., Leaman Farm Rd., & Kings Crossing Blvd.	$ 1,219,296
(Arcola)	Great Seneca Highway	$ 287,072
	Total Estimated Cost of Schedule B Improvements:	$ 3,516,923

Arcola Woodcliffe Park

The following table provided by Arcola sets out the total costs for the Arcola Woodcliffe Park Development (other than those related to the construction of the housing units) as well as the sources of funding that include the 2002 Bond proceeds, the Ohio Savings Bank loan proceeds, the subordinated loans, the Developer's equity, and the projected cash flow from the Arcola Woodcliffe Park Development:

Arcola-Woodcliffe Park – 714 Single-family detached/102 multi-family MPDU's
Estimated Development Costs & Expected Initial Source of Funds

	2002 Bonds	Ohio Savings Bank Financing	Developer's Equity	Cash Flow	Total	Expenditures as of 12/31/01
Land	$0	$7,700,000	$5,757,112	$3,142,888	$16,600,000	$16,600,000
Public Improvements – Schedule A						
(Constructed by the Developer)						
A-297 Phases 1, 2 & 3 -Clopper to Ashleigh Green		$3,471,254			$3,471,254	$3,175,000
A-297 Phase 6 -Schaeffer to Route 118		$1,721,470		$434,577	$2,156,047	$1,721,000
Hoyles Mill Pumping Station & Force Main Phases 1-2		$3,256,248			$3,256,248	$2,827,000
Arcola Local Public Park		$310,000			$310,000	-0-
Total		$8,758,972		$434,577	$9,193,549	$7,723,000
Secondary Improvements – Schedule B						
Force Main & Outfall Sewers		$1,266,028		256,001	$1,522,029	$876,000
Clopper Road & Kings Crossing Blvd.		$0		$936,284	$936,284	$215,000
Great Seneca Highway		$0		$287,072	$287,072	-0-
Total		$1,266,028		$1,479,357	$2,745,385	$1,091,000
Equalization Payment to Artery				$278,095	$278,095	-0-
Total Public Improvements	$0	$10,025,000		$2,192,029	$12,217,029	$8,814,000
Private Improvements						
Engineering (includes consultants and legal)		$2,556,200			$2,556,200	$2,446,000
Permit fees		$1,149,660			$1,149,660	$1,106,000
Grading		$3,810,618			$3,810,618	$2,708,000
Landscaping		$732,564			$732,564	$370,000
Storm Drain		$1,856,400			$1,856,400	$1,342,000
Utilities		$4,154,766			$4,154,766	$2,922,000
Concrete		$249,900			$249,900	$113,000
Paving		$1,570,800			$1,570,800	$823,000
Storm Water Pond (not included in Grading)		$1,428,000			$1,428,000	$968,000
Site Maintenance		$461,244			$461,244	$83,000
Amenities (also includes street lighting/signs)		$931,770			$931,770	-0-
Misc. – Bond release – Contingency, Escalation		$714,000			$714,000	$24,000
Sewer Outfall and Other Non-District Improvements (not included in categories above)		$99,450		$1,170,550	$1,270,000	$575,000
Subtotal		$19,715,372		$1,170,550	$20,885,922	$13,480,000
Pool Facilities (not included in Amenities)				$714,000	$714,000	-0-
General Development Costs						
Marketing		$0		$714,000	$714,000	$311,000
Development & Administrative Fees		$0		$364,553	$364,553	$948,000
Soft Costs & Real Estate Taxes		$0		$1,670,599	$1,670,599	$430,000
Debt Service		$3,959,628			$3,959,628	$3,089,000
Legal		$400,000			$400,000	$72,000
Subtotal		$4,359,628		$2,749,152	$7,108,780	$4,850,000
Total Private Improvements	$0	$24,075,000		$4,633,702	$28,708,702	$18,330,000
Total All Costs	$0	$41,800,000	$5,757,112	$9,968,619	$57,525,731	$43,744,000
Less Reimbursements from Tax District	$7,525,395[1/]	$(7,525,395)			$0	
Net Costs	$7,525,395	$34,274,605	$5,757,112	$9,968,619	$57,525,731	$43,744,000

1/ Arcola's reimbursement of $7,525,395, plus Artery's reimbursement of $5,305,782, totals $12,831,177, which total represents the total amount to be reimbursed for public infrastructure costs.

Artery Woodcliffe Park

The following table provided by Artery sets out the total costs for the Artery Woodcliffe Park Development (other than those related to the construction of the housing units), as well as the sources of funding which include the 2002 Bond proceeds, the "equalization payment" (as described under "Financing the Arcola Woodcliffe Park and Artery Woodcliffe Park Developments") from Arcola, the Developer's equity, and the projected cash flow from the Artery Woodcliffe Park Development:

Artery Woodcliffe Park – 382 Single-family detached/114 Townhomes/81 MPDU's
Estimated Development Costs & Expected Initial Source of Funds

	2002 Bonds	Bank Financing[1/]	Other Financing[2/]	Developer's Equity	Cash Flow	Total	Expenditures as of 12/31/01
Land	$0	$0	$0	$8,189,000	$0	$8,189,000	$8,189,000
Public Improvements – Schedule A							
(Constructed by the Developer)							
A-297 Phase 4 (Ashleigh Gn – Avatar)	$1,227,528					$1,227,528	$858,119
A-297 Phase 5 (Avatar – Schaeffer)	$526,084					$526,084	$369,943
Hoyles Mill Force Main – Phase 3	$305,020					$305,020	$221,691
Hoyles Mill Force Main – Phase 4 (part)	$276,752					$276,752	$276,752
Schaeffer Road Improvements	$992,244					$992,244	$570,776
Artery Local Public Park	$310,000					$310,000	$0
Total	$3,637,628					$3,637,628	$2,297,281
Secondary Improvements – Schedule B							
12" Outfall Sewer					$488,526	$488,526	$488,526
Leaman Farm Road					$283,012	$283,012	$0
Total					$771,538	$771,538	$448,526
Plus: Equalization Payment from Arcola					($278,095)	($278,095)	$0
Total Public Improvements	$3,637,628	$0	$0	$0	$493,443	$4,131,071	$2,785,807
Private Improvements							
Engineering (includes consultants and legal)			$376,937		$1,022,765	$1,399,702	$1,399,702
Permit fees			$165,500		$316,610	$482,110	$482,110
Grading			$1,626,411		$1,801,162	$3,427,573	$3,427,573
Landscaping			$264,174		$266,200	$530,374	$530,374
Storm Drain			$667,810		$677,600	$1,345,410	$1,345,410
Utilities			$1,359,770		$1,535,230	$2,895,000	$2,895,000
Concrete			$90,699		$221,968	$312,667	$312,667
Paving			$556,823		$524,173	$1,080,996	$1,080,996
Storm Water Pond (included in Grading)			$0		$0	$0	$0
Site Maintenance			$0		$0	$0	$0
Amenities (also includes street lighting/signs)			$221,590		$1,083,515	$1,305,105	$1,305,105
Misc. – Bond release – Contingency, Infrastructure,			$0		$2,152,692	$2,152,692	$2,152,692
Escalation in Development Costs (included above)						$0	$0
Subtotal			$5,329,714		$9,601,915	$14,931,629	$14,931,629
Pool Facilities (included in Amenities)			$0		$0		
General Development Costs							
Overhead & Marketing					$996,000	$996,000	$996,000
Development & Administrative Fees					$1,500,000	$1,500,000	$1,250,000
Soft Costs & Real Estate Taxes					$1,084,783	$1,084,783	$1,084,783
Debt Service					$1,244,211	$1,244,211	$1,244,211
Legal (included in Engineering)					$0	$0	$0
Subtotal					$4,824,994	$4,824,994	$4,574,994
Total Private Improvements	$0	$0	$5,329,714	$0	$14,426,909	$19,756,623	$19,506,623
Total All Costs	$3,637,628	$0	$5,329,714	$8,189,000	$14,920,352	$32,076,694	$30,481,430
Less Reimbursements from Tax District	$5,305,782[3/]					$5,305,782	
Net Costs	($1,668,154)	$0	$5,329,714	$8,189,000	$14,920,352	$26,770,912	$30,481,430

1/ Artery paid off Ohio Savings Bank's acquisition and development loan in December 2000 through project cash flow.
2/ Toll LP is paying Artery a separate development fee for the land development costs for the 223 lots that they have purchased from Artery and Artery is performing the land development.
3/ Artery's reimbursement of $5,305,782, plus Arcola's reimbursement of $7,525,395, totals $12,831,177, which total represents the total amount to be reimbursed for public infrastructure costs.
Note: All Artery Equity has been paid back, Ohio Savings Bank loan has been paid off and all additional funds required will be funded from project cash flow.

The estimated costs for construction for the public and private improvements for each of the Arcola Woodcliffe Park and Artery Woodcliffe Park developments have been provided by the Developers and are based on approved plans submitted to the County and other governmental agencies. Such costs are assumed to be reliable, but there can be no assurance that cost overruns in any of the listed improvements could occur for which there is no identifiable source of funds for payment and for which the applicable Developer would be responsible. Furthermore, the projected cash flow to fund the balance of the development costs is based on the timing of the sale of lots as contracted for by the Developers, to the extent contracts have been signed, and otherwise, as set forth herein. See "Residential Development Mix and Homebuilders." No assurances can be given that such timetable will be met and that the money from the sale of lots will be available to complete the development. *See* "SPECIAL BONDHOLDERS' RISKS — Failure to Achieve Market Projections" and "— Land Development Costs".

Financing the Arcola Woodcliffe Park and Artery Woodcliffe Park Developments

Arcola Woodcliffe Park

Arcola acquired the Arcola Woodcliffe Park property on April 15, 1996. The acquisition of the property was financed through a $7.7 million term loan from First Union Bank of Virginia. The First Union Bank loan was refinanced by a $7.7 million loan from Ohio Savings Bank, F.S.B. (the "Bank") which closed in May 1998. This loan was converted into a permanent development loan made by the Bank effective in November 2000.

The development loan from the Bank is to Arcola Investment Funding, L.C., a Maryland limited liability company that is wholly-owned by Arcola ("Borrower"). The development loan is in the total amount of $41,800,000, provided that at no time during the term of such loan is the Bank obligated to make any advances of loan proceeds if doing so would result in the aggregate outstanding principal balance of the loan being in excess of a stated amount, which stated amount can not exceed $14 million during the period from January 1, 2001, through September 30, 2002; $9 million during the period from October 1, 2002, through December 31, 2002; and $6 million for the period from January 1, 2003 and thereafter, with the actual amount being based upon the fully discounted appraised value of the lots owned by Arcola during such periods. The Borrower is obligated under the loan documents to lend the proceeds of the loan to Arcola, which has issued its demand note to the Borrower. Interest only is payable monthly at the rate of prime plus 1% (reset quarterly), with the principal balance due on the maturity date. The Bank has established a debt service reserve amount funded out of the loan in the amount of approximately $3,200,000 for the sole and express purpose of paying regular monthly installments of interest, or principal and interest, a portion of which may be made available to the Borrower upon the sale of a minimum amount of lots by a defined date. The loan will mature in November 2003, subject to the ability of the Borrower to extend its maturity for one additional 6-month period subject to the payment of an extension fee equal to one-half of 1% of the outstanding balance of the loan, plus all undisbursed loan proceeds during the extended term and the satisfaction of certain other conditions.

The development loan is guaranteed by Arcola and is secured by an Indemnity Deed of Trust on the Arcola Woodcliffe Park Development property owned by Arcola, as well as guaranteed by Herschel Blumberg, individually. The Loan Agreement limits advances to be made by the Bank for specific line item costs linked to the development activity in the project and each advance is subject to the satisfaction of certain conditions by the Borrower. In connection with the development loan, the Bank has agreed to issue an irrevocable letter of credit in the initial stated amount of $374,344 payable to the County, that may be drawn upon by the County if the Special Taxes and Special Assessments owed by Arcola are not paid when due and payable. See "THE DISTRICT -- The Implementation Agreement -- The Tax Liability Letters of Credit."

The following are included as events of default under the Loan Agreement with the Bank: the breach by the Borrower or Arcola of any provision under the Development Agreement which breach continues for a period of 30 days following written notice thereof (or 60 days provided Borrower or Arcola commences to cure such default within such 30-day period and diligently prosecutes such cure to completion); a default by the Borrower under any other loans made by the Bank to the Borrower or any guarantor of the loan; the failure to maintain the development approvals relating to the development in full force and effect; the failure of Arcola to sell a minimum number of building lots in accordance with a defined schedule; and certain other events relating to the development, the Borrower, or a guarantor. As of the date of this Official Statement, Arcola has not been notified by the Bank of any such event of default, nor does Arcola have knowledge of any pending event of default under the development loan.

The development loan provided through the Bank, together with additional equity and cash flow from the development, will fund Arcola's share of the costs of the Improvements that will ultimately be financed through the 2002 Bonds, and when 2002 Bond proceeds are disbursed by the County to pay the Purchase Price of Improvements, such funds received by Arcola will be used to repay amounts owing to the Bank under this loan agreement.

Through December 31, 2001**,** $27,962,000 had been advanced by the Bank pursuant to this loan out of an available line of $41,800,000. As of December 31, 2001, the loan balance was $4,512,000. The owners of Arcola have contributed approximately $5.7 million of additional equity into that entity, representing land purchase, legal fees, engineering fees and other costs associated with the development of the property, as summarized in the following table:

Arcola Developer Subordinate Loan/Equity Summary

Payee	Interest Rate	Maximum Borrowings	Balance
Totah Family LP	6.20%	$ 3,675,000.00	$3,675,000.00
Cylburn	7.50%	$ 2,000,000.00	$ 839,112.00
Prince George's Metro Ctr	7.50%	$ 5,000,000.00	$1,243,000.00
Total		$10,675,000.00	$5,757,112.00

Artery Woodcliffe Park

The acquisition of the Artery Woodcliffe Park properties in December 1997 by Artery was financed through a loan made by the Ohio Savings Bank, F.S.B. (the "Bank") in the amount of $3,085,858. This loan was converted to provide permanent development financing in the total amount of $21,094,501, effective July 1999.

In December 2000, as a result of Artery completing Section 1-A, partially completing Section 1-B, transferring 75% of the lots in Sections 1-A and 1-B to homebuilders and transferring all 223 lots in Section 2 to Toll LP in a bulk sale, the Bank loan was repaid in full. Toll LP has agreed contractually to post an irrevocable Letter of Credit, in the initial amount of $157,600 payable to the County, which may be drawn upon by the County if the Special Taxes and Special Assessments owed by Toll LP are not paid when due and payable. See "THE DISTRICT – The Implementation Agreement – The Tax Liability Letters of Credit."

As part of the Development Agreement entered into between Artery and Arcola, Arcola has agreed to pay Artery a payment of $278,095 (the "Equalization Payment") in recognition that the Route A-297 Improvements funded through the 2002 Bonds, which are the responsibility of Arcola under its development approvals, are greater than the value of the Special Taxes and Special Assessments to be paid by the owners of the Arcola Woodcliffe Park property. Arcola has agreed to pay this Equalization Payment from its share of the last 2002 Bond proceeds to be disbursed. In addition, through December 31, 2001, the members of Artery have contributed approximately $8.19 million of additional equity into that entity. Artery does not expect that any additional equity contributions will be required, and that it will be able to complete all land development activity through cash flow from the project, including the land development costs to be advanced by Toll LP.

Governmental Approvals

Planning, Zoning, and Approval Process

The County oversees the planning, zoning, site plan and development approval process for projects located within the County. The Maryland-National Capital Park and Planning Commission (the "Commission") functions as the planning agency for both the County and Prince George's County, Maryland, and as the regional park authority for the Maryland suburbs of Washington, D.C. The five members of the Commission from each county serve as a separate planning board to review matters affecting only their respective county, with the Montgomery County Planning Board (the "Planning Board") having jurisdiction over the properties in the District. Within the County, the Montgomery County Council sitting as the District Council, grants zoning approval, and the Planning Board approves subdivision and site development matters. The Executive Branch through the Department of Permitting Services ("DPS") issues all building permits.

Arcola Woodcliffe Park is zoned PD-2 and Artery Woodcliffe Park is zoned R-200, which is consistent with the Master Plan, approved and adopted by the County Council in July 1989. Subsequent thereto, both properties petitioned the Planning Board for, and received, approvals of their respective subdivision (including preliminary and record plats) and site plans. Both projects have also negotiated site plan enforcement agreements that have been approved by the Planning Board. The individual approvals granted to the respective projects are more particularly described as follows.

Arcola Woodcliffe Park

On March 21, 1995, the Planning Board mailed an opinion approving Arcola's application for approval of Preliminary Plan 1-88006 for the Arcola Woodcliffe Park property. The Preliminary Plan authorized the creation of 816 lots on the 413.90 acres of land comprising the subdivision, and contained certain conditions and requirements, including conditions and requirements relating to the construction of infrastructure, dedication of rights-of-way, compliance with forest conservation and other environmental requirements.

On March 21, 1996, the Planning Board issued an opinion approving the Site Plan 8-96011 for Arcola Woodcliffe Park, finding that the Site Plan met all of the requirements of the zone in which the property is located; finding that the location of the buildings and structures, open spaces, landscaping, and the pedestrian and vehicular circulation systems were adequate, safe and efficient; finding that each structure and use was compatible with other uses and other site plans and with existing and proposed adjacent development; and finding that the Site Plan met all applicable requirements for forest conservation. The Site Plan approval also required, among other things, that the local park located on the Arcola Woodcliffe Park subdivision be dedicated as a local public park available to all residents, and required the developer to grade the local park and provide an open play area of 100 feet by 150 feet prior to the time that the homes in the area of the park are completed.

On August 7, 1997, the Planning Board mailed an opinion amending the Preliminary Plan approval requirements to permit a different phasing of the construction of Richter Farm Road (Route A-297). Under the revised schedule, Richter Farm Road must be under construction from the southern tip of the Arcola Woodcliffe Park property to Clopper Road prior to the release of the 45th building permit, and must be completed and open to traffic from the southern tip of the Arcola Woodcliffe Park property to Maryland Route 118 within one calendar year of the date of issuance of the 281st building permit, but in no event later than December 31, 2001. Since Richter Farm Road is open to traffic between Clopper Road and Maryland Route 118 as of February 2002, representatives of the Planning Board have indicated that this condition of the Preliminary Plan has been satisfied.

On October 20, 1997 (as revised by an opinion of the Planning Board mailed January 27, 1998), the Planning Board granted a further amendment to the Preliminary Plan approval to allow for an additional 9 year validity period for the preliminary plan and to permit a phasing schedule for the subdivision plat recordation of lots within the project on the following schedule: recordation phase 1, commencing on April 22, 1995 (the effective date of the original Preliminary Plan) and continuing until April 21, 1998, consisting of a minimum of 157 units; recordation phase 2 commencing April 22, 1998 and concluding on April 21, 2001, consisting of at a minimum 175 additional units; recordation Phase 3 commencing April 22, 2001 and concluding April 21, 2004, consisting of a minimum additional 215 units; and recordation phase 4 commencing April 22, 2004, and concluding April 21, 2007, by which date all of the total number of units, or 816 units, will be recorded. As of December 31, 2001, record plats for 517 lots (167 lots in Section 1; 108 lots in Section 2; and 242 lots in Section 3) have been recorded with the County. Arcola anticipates that development of the Arcola Woodcliffe Park property will be completed after Phases 1, 2 and 3 (*see* "Development Plans and Schedules for the Developments – Arcola Woodcliffe Park").

By resolution adopted February 2, 1999, the Montgomery County Council approved a petition authorizing the abandonment by the County of Leaman Farm Road as necessary for the Arcola Woodcliffe Park development to proceed in accordance with its approved Site Plan.

The specific information presented above indicates that all discretionary public development and plan approvals required for development to continue at Arcola Woodcliffe Park are completed. Zoning and development plan approvals are in place which permit the project to be developed as proposed. A site plan has been approved covering the entire project and record plats for 517 lots have been recorded.

Arcola has developed 430 lots out of the 517 recorded lots. Arcola does not anticipate any significant delays or changes in the development of the project as proposed.

Artery Woodcliffe Park

The Preliminary Plan for Artery Woodcliffe Park approved by the Planning Board originally provided for a total of 579 lots in three different phases. The Preliminary Plan was revised on four occasions by opinions of the Planning Board, mailed on July 2, 1996, August 13, 1997, March 6, 1998, and May 5, 1999. The final opinion incorporates all of the conditions of the prior approvals. Some of these conditions required compliance prior to or at the time of the site plan approval for the Artery Woodcliffe Park property.

The property received site plan approval from the Planning Board in two sections. Site Plan No. 8-95027 for Artery Woodcliffe Park Section I (310 units) and Site Plan No. 8-95030 for Artery Woodcliffe Park Section II (259 units) were approved by the Planning Board by separate opinions, which were both mailed on August 1, 1995. Collectively, the site plans provide for the proposed construction of 376 single-family dwelling detached units and 193 townhouse units, including 79 moderately priced dwelling units. On February 26, 1999, the Planning Board issued an opinion modifying the site plans to provide for an additional 10 units, resulting in a total unit count of 579 lots. Of the increased total, 384 units are single family detached lots and 195 are single family attached lots, of which 81 are moderately priced dwelling units (MPDUs). Toll LP processed a request to amend in certain respect the site plan for the portion of Artery Woodcliffe Park which it purchased from Artery. The Toll LP site plan amendment (8-95030C) was approved by the Planning Board in fall 2001, reducing the number of Toll LP lots from 225 and to 223 and the overall number of units from 579 to 577. Artery has a site plan amendment pending which would increase the number of units to 580 units, of which 84 would be MPDU units. Approval of this amendment is anticipated by spring 2002.

On February 6, 1997, a series of approximately 14 record plats for Section 1-A of the Artery Woodcliffe Park property were recorded covering 155 dwelling units. On March 2, 1998, a series of approximately 9 record plats for Section 1-B of Artery Woodcliffe Park were recorded covering 152 dwelling units, for a total of 307 recorded lots. The balance of the lots approved by the Preliminary Plan were recorded in 2000, including 9 lots for Section 1-C and 263 lots for Section 2. Record plats of re-subdivision are pending for 50 site plan amended lots by Toll LP and Artery. Acceptance for recording is anticipated by spring 2002.

The specific information presented above indicates that all discretionary public approvals required for development to continue at Artery Woodcliffe Park are completed. Zoning and Development Plan approvals are in place, which permit the project to be developed as proposed. A site plan has been approved covering the entire project. Record plats for all of the lots within Artery Woodcliffe Park have been or will soon be accepted for recording.

As of December 31, 2001, all 316 lots within Section 1 had been conveyed to homebuilders. To date, approximately 304 homes have been completed in Section 1 and conveyed to homeowners. Section 2, which contains 223 single-family lots, and is the balance of the development, except for 38 MPDU lots, has been transferred to Toll LP. Artery has a lot finishing agreement with Toll LP to finish these lots based on an agreed schedule as described under "Residential Development Mix and Homebuilders – Artery Woodcliffe Park". Artery does not anticipate any significant delays or changes in the development project as proposed.

SPECIAL BONDHOLDERS' RISKS

Investment in the 2002A Bonds involves risks. The purchase of the 2002A Bonds is an investment subject to certain risks, including the risk of nonpayment of principal and interest. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the 2002A Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence or one of more of the events discussed herein could adversely affect the ability or the willingness of property owners in the District to pay their Special Taxes and Special Assessments when due. Such failures to pay Special Taxes and Special Assessments could result in the inability to make full and punctual payments of debt service on the 2002A Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.

This section does not purport to summarize all risks that may be associated with purchasing or owning the 2002A Bonds, and prospective purchasers are advised to read this Official Statement in its entirety (inclusive of Appendices) for a more complete description of investment considerations relating to the 2002A Bonds.

Creditworthiness of the Bond Insurer

Payment of the principal of and interest on the 2002A Bonds when due will be secured by the Bond Insurance Policy. Payment of these amounts upon any default by the County will depend on the creditworthiness of the Bond Insurer. There can be no assurance that the Bond Insurer will maintain its financial condition and will be able to honor future drawings under the Bond Insurance Policy.

Concentration of Ownership

The properties included in the District consist of two adjacent residential developments known as Arcola Woodcliffe Park and Artery Woodcliffe Park. Prior to commencement of lot sales activities, Arcola Woodcliffe Park was owned in its entirety by Arcola Investment Associates, a Virginia general partnership. The Arcola Woodcliffe Park property is being developed by Prince George's Metro Center, Inc., a Maryland corporation. Prior to commencement of lot sales activities, Artery Woodcliffe Park was owned in its entirety by Artery Hoyles Mill, LLC, a Maryland limited liability company. The Artery Group, LLC, is serving as the sole manager of the affairs of Artery Hoyles Mill, LLC. Artery Development Company, LLC, which is owned 100% by The Artery Group, LLC, is serving as developer for Artery Woodcliffe Park. Development of Artery Woodcliffe Park commenced in May 1998, and development of Arcola Woodcliffe Park commenced in April 2000. As the Developments progress, certain lots have been sold to homebuilders, which in turn, have sold certain of those lots to homeowners, and it is expected that the Developers will continue to sell lots in the District to third parties. Until such lot sales are complete, the Developers will be responsible for payment of the Special Taxes and Special Assessments with respect to properties in the District owned by them.

On the Closing Date for the 2002 Bonds, the properties comprising the 1,393 residential units which will ultimately be constructed in the District will be owned by the Developers, certain homebuilders and approximately 440 individual homeowners. See "THE DEVELOPMENTS" for a description of the concentration of ownership of properties in the District as of December 31, 2001. Until sales to individual homeowners are completed, the obligation to pay Special Taxes and Special Assessments will be concentrated among the Developers and certain homebuilders. The initial concentration of ownership presents a significant risk to Bondholders. Failure of the Developers, homebuilders or subsequent owners of the property within the District to pay the annual Special Taxes and Special Assessments when due could result in the rapid, total depletion of the 2002A Reserve Account prior to its replenishment from the sale of property at tax sale. In that event, there could be a default in payments of principal and interest on the 2002A Bonds.

Transfer of Ownership

Arcola projects that all lots in Arcola Woodcliffe Park will be developed and sold to homebuilders by the year 2004. Artery projects that the remaining 38 MPDU lots in Artery Woodcliffe Park will be sold to homebuilders by 2003 and that all lots will be developed by the year 2005. Sales of completed homes on such lots by homebuilders to homeowners generally can be expected to occur 4 to 6 months thereafter, depending upon the pace of construction by such homebuilders and the prevailing conditions in the residential new homes market. When the lots are sold, the obligation to pay the Special Taxes or Special Assessments will be the obligation of the purchasers and not the Developers. No assurance can be given as to the financial condition of the purchasers, the willingness of such purchasers to pay the Special Taxes and Special Assessments, or the concentration of ownership among such purchasers. See "THE DEVELOPMENTS" for a description of the number of lots settled and under contract to homebuilders and the approximate number of homes settled and under contract to homeowners as of December 31, 2001. No assurance can be given that the homebuilders or homeowners will close on the sale of lots or homes under their respective contracts and, therefore, that the concentration of ownership will not differ from the existing concentration of ownership set forth herein.

Failure of Various Financing Plans and Conditions

Arcola has secured a revolving loan from Ohio Savings Bank to provide funds to pay a portion of its development costs for Arcola Woodcliffe Park. See "THE DEVELOPMENTS — Financing the Developments." The loan documents contain various covenants to be met by Arcola, as well as conditions precedent to the disbursement of loan proceeds by the Bank. Failure of Arcola to comply with such covenants or meet such conditions could create a default under its loan and could adversely affect Arcola's ability to pay the Special Taxes and Special Assessments.

The Developers are related to entities that are engaged in real estate development and related activities. See "THE DEVELOPERS." The Developers and such related entities have incurred and will continue to incur indebtedness and enter into financial arrangements that will require payments to be made, reserves to be established and various covenants to be observed. It is possible that the Developers may not have sufficient resources to meet such other obligations. The Developers' obligations to pay the Special Taxes and Special Assessments are secured by liens on the property subject to such Special Taxes and Special Assessments. Although such liens are superior to any private liens, any failure of various financing plans and conditions of the Developers and their related entities could cause a delay or cessation in the payment of the Special Taxes and Special Assessments by the Developers.

The Developers' respective financing plans contemplate that cash flow from the Developments will be used to pay certain development costs. See "THE DEVELOPMENTS — Sources and Uses of Funds." There can be no assurance that the Developments will generate sufficient cash flow to pay for such development costs, or, if cash flow is generated, that the Developers will reinvest such cash flow in the Developments. The Developers are under no obligation to reinvest cash flow in the Developments and their failure to do so could negatively affect the development and completion of the Developments.

Failure to Develop Properties

Development of land is subject to many economic considerations. While the Developers have completed a majority of the required infrastructure, the failure to complete development of the remaining required infrastructure in the District (including the Improvements) or substantial delays in the completion of the development of such required infrastructure due to litigation, the inability to obtain required funding, or other causes may result in the failure of, or significant delays in, the completion of the Developments. Any such failure or delay may reduce the value of the property within the District and increase the length of time during which Special Assessments will be payable with respect to undeveloped properties, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes and Special Assessments when due. Any or all of these events could result in a default in payments of the principal of, and interest on, the 2002A Bonds.

Government Approvals

Land development is subject to comprehensive federal, state and local regulations. Approval is required from various entities in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. Although most of the necessary approvals, permits and governmental entitlements necessary to develop the Developments have been obtained, certain approvals still need to be secured. See "THE DEVELOPMENTS — Status of Approvals." Although the Developers have received the major discretionary approvals, there is the possibility that certain other approvals will not be obtained or, if obtained, will not be obtained on a timely basis.

Failure to obtain any such approvals or to satisfy such governmental requirements would adversely affect planned land development in the District.

Failure to Achieve Market Projections

The Developers estimate, based upon actual experience selling lots in the District, market trends and the perceived demand for housing, that full absorption of the lots which they are developing will occur by the year 2005, with absorption of the homes constructed on such lots to occur thereafter. There can be no assurances that such level of absorption can be maintained in the District. Also, unforeseen events can have an impact upon demand over the next several years while buildout of the Developments is continuing. While the Developers have not realized a slowdown in the overall lot sales absorption rate based upon the events of September 11, 2001, there did appear to be a slowing of homeowner sales by homebuilders in the two months immediately following this event, and the impact of future terrorist attacks affecting the Washington region could be adverse to the Developments. Failure to achieve these market projections will adversely affect the estimated value of the Appraised Property, could impair the economic viability of the Developments and could adversely affect the ability or willingness of the property owners to pay the annual Special Taxes and Special Assessments. In that event, there could be a default in the payment of principal of, and interest on, the 2002A Bonds.

Developer Cooperation

Subsequent to the issuance of the 2002A Bonds, the Developers will be marketplace competitors with respect to the development, marketing and sales of lots in the Developments. Notwithstanding this market competition, the successful completion of the Developments will require cooperation between the Developers. The Developers have entered into several joint agreements to provide for the management and control of certain public improvements benefiting the District and the construction of common recreational facilities to serve the Developments. See "THE DEVELOPMENTS — Development Plans and Schedules for the Developments -- Joint Agreements." No assurance can be given that claims, demands, disputes or litigation between the Developers will not arise from time to time which may have a material adverse effect on the timing and installation of the Improvements and the development of the Developments.

Competition to the Developments

The primary competition to the Developments consists of residential developments along the I-270 corridor. According to a study prepared by the Maryland-National Capital Park and Planning Commission and the Montgomery County Planning Department, residential building permits were issued in 1999 for 4,805 dwelling units throughout the County, consisting of 1,966 single family detached, 1,090 single family attached and 1,749 multi-family units, and in 1998 for 4,401 dwelling units, consisting of 1,986 single family detached, 959 single family attached and 1,456 multi-family units. The District occupies a unique position in that it represents the final development of the Germantown market. Germantown accounted for approximately 36% and 22% of the total County housing completions in 1998 and 1999, respectively. Competition remains to a limited extent in Germantown, but is expected in the future to shift primarily to Clarksburg, approximately 5 to 10 miles northeast of the Developments, where a large number of residential units are expected to come on the market over the next five years. Demand for housing in this market, while currently strong, may diminish while the Developments are under way. This competition could impact the future value of the property in the District and the rate at which the remaining lots are sold by the Developers to homebuilders and, ultimately, the rate at which lots are sold by homebuilders to individual homeowners.

Land Development Costs

In addition to the financing of the Improvements through the issuance of the 2002 Bonds, the Developers have obtained private financing for significant costs relating to the development of Arcola Woodcliffe Park and Artery Woodcliffe Park in order to successfully complete the Developments in timely fashion. These costs include the costs of the Improvements above the Purchase Prices to be paid by the County pursuant to the Implementation Agreement, as well as the costs of developing and constructing the Developments.

The Developers have already constructed a significant amount of the Improvements and have executed contracts with contractors for the bulk of the remaining Improvements. The actual costs of development of the completed Improvements, and the contracted costs for completion of the Improvements yet to be completed, which are under contract, on average, have been consistent with the budgets and cost estimates prepared by the Developers and their engineers at the time of the adoption of the Formation Resolution and Bond Resolution. The actual cost of development of the Developments has also been largely consistent with the budgeted costs, and the sales pace of the finished lots has exceeded the projected absorption expected by the Developers at the commencement of the Developments.

Financial projections provided by the Developers indicate the expected sources of funds for the Developments, projected pay-back of loans, and expected equity rates of return. For Arcola Woodcliffe Park, the costs of acquisition and development of Arcola Woodcliffe Park has been largely funded through a line of credit from Ohio Savings Bank, subordinate loans and equity contributed by the Arcola and affiliated entities and cash flow from the Development. See "THE DEVELOPMENTS — Financing the Developments — Arcola Woodcliffe Park."

At December 31, 2001, Arcola had repaid all but $4.5 million of its loan from Ohio Savings Bank and had repaid all but approximately $5,750,000 of its subordinated loans, and Artery had repaid its loan from Ohio Savings Bank, in each case to fund land acquisition and development costs, with the remainder of the development costs funded from equity and cash flow from the Developments. See "THE DEVELOPMENTS — Financing the Developments — Artery Woodcliffe Park."

There can be no assurance that Arcola will continue to meet the performance standards required by Ohio Savings Bank under its loan to qualify for future advances thereunder. Further, there are no assurances that the Developers will be able to secure additional financing if that portion of the development costs to be paid from project cash flow does not materialize or if cost overruns for the remaining Improvements and other Development construction costs are experienced. The failure of Arcola to qualify for future advances under its loan or the failure of either Developer to finance cost overruns could prevent the completion of the Improvements and the Developments and, as a result, could cause a default in the payment of the principal of and interest on the 2002A Bonds.

Dependence on Special Assessments Levied on Undeveloped Property

Initially, payment of a substantial portion of the debt service on the 2002A Bonds will be dependent upon receipt of Special Assessments levied on undeveloped property. Payment of the 2002A Bonds will continue to be partially dependent upon receipt of Special Assessments levied on undeveloped property for a number of years in the future. See "THE DISTRICT — Methodology for Levying the Special Taxes and Special Assessments." Undeveloped property is less valuable per unit of area than developed land. Undeveloped property also provides less security to the Bondholder should it be necessary for the County to sell undeveloped property at tax sale due to the nonpayment of the Special Assessments. Because of the current concentration of ownership, the timely payment of the 2002A Bonds depends upon the willingness and ability of the Developers and homebuilders who have purchased lots in the District to pay the Special Assessments levied on the undeveloped property when due. See "SPECIAL BONDHOLDERS' RISKS — Concentration of Ownership" above. After the depletion of capitalized interest financed with proceeds of the 2002A Bonds, a slowdown or stoppage in the continued development of the land in the District could reduce the willingness and ability of the Developers and such homebuilders to make Special Assessment payments on undeveloped property, and could greatly reduce the value of such property in the event it has to be sold at tax sale.

Special Tax and Special Assessment Delinquencies

In order to pay debt service on the 2002A Bonds, the Special Taxes and Special Assessments must be paid in a timely manner. The Special Taxes and Special Assessments are billed to the properties within the District by the County or its designee. Such Special Tax and Special Assessment installments are due and payable, and bear the same penalties and interest for non-payment, as do regular ad valorem property tax installments. The unwillingness or inability of a property owner to pay ad valorem property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax and Special Assessment payments in the future. If the Developers or future owners of property in the District fail to pay the Special Taxes and Special Assessments when due, there could be significant delays or default in payment of the

2002A Bonds. See "SPECIAL BONDHOLDERS' RISKS — Concentration of Ownership" and Appendix D -- Property Tax Levies and Collections.

In determining the Special Tax rate each year, the County may increase the Special Tax Requirement (i.e., the aggregate amount required for debt service on the 2002 Bonds, replenishment of the Reserve Fund and Administrative Expenses) by only 10% to cover delinquencies (plus an amount equal to available Reserve Fund earnings). Therefore, there is no assurance that the Special Taxes and Special Assessments which may be levied pursuant to the Bond Resolution will be at all times sufficient to pay debt service on the 2002A Bonds and to replenish any deficiency in the 2002A Reserve Account.

In the event that it becomes necessary to take District properties to tax sale, and if the 2002A Reserve Account is depleted, there could be a delay in payments to Bondholders of the 2002A Bonds pending such tax sale and receipt by the County of the proceeds of sale. See "SECURITY FOR THE 2002A BONDS — Special Taxes and Special Assessments," for a discussion of the provisions that apply, and procedures that the County is obligated to follow, in the event of delinquencies in the payment of Special Taxes and Special Assessments. See "SPECIAL BONDHOLDERS' RISKS — Potential Delay and Limitations in Tax Sale Proceedings" and "Bankruptcy" below, for a discussion of limitations on the County's ability to sell a property at tax sale in certain circumstances.

If the County purchases a property at tax sale, no money will be collected at the time of the tax sale and the delinquent Special Taxes and Special Assessments and additional Special Taxes and Special Assessments levied on the property will not be paid until a third party purchaser purchases the property from the County.

Potential Delay and Limitations in Tax Sale Proceedings

The payment of Special Taxes and Special Assessments and the ability of the County to sell a property at tax sale may be limited by bankruptcy, insolvency or other laws generally affecting creditors rights. See "SPECIAL BONDHOLDERS' RISKS — Bankruptcy."

The ability of the County to sell a property at tax sale may be limited with regard to properties in which the Federal Deposit Insurance Corporation (FDIC) may acquire an interest. The FDIC is not believed to currently have an interest in any land within the District. However, if a lender takes a security interest in the property and becomes insolvent, such a lender could fall under the jurisdiction of the FDIC. The FDIC has adopted policies regarding the payment of state and local property taxes, including ad valorem and non ad valorem special taxes and assessments. While this federal instrumentality has acknowledged a policy of paying ad valorem and non ad valorem special taxes and special assessments in certain circumstances, it has also indicated an intention to assert federal preemptive power to challenge any prior taxes, special taxes and special assessments where it is in its interest to do so, including the requirement that local agencies obtain the consent of the FDIC in order to sell a property at tax sale.

If the County is required to obtain the consent of the FDIC in order to sell a property located in the District at a tax sale, such consent could be denied and the County might be unable to pursue the tax sale. Additionally, although the FDIC has agreed to attempt to respond to a request for consent within 30 - 60 days, obtaining consent could delay the tax sale. Any delay in receiving such consent or the inability of the County to sell a property in which the FDIC has an interest could result in a delay or default in payment of the 2002A Bonds.

Bankruptcy

The various legal opinions to be delivered concurrently with the delivery of the 2002A Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although a bankruptcy proceeding would not cause the Special Taxes and Special Assessments to become extinguished, the amount and priority of any Special Tax and Special Assessment lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in the ability of the County to sell such property at tax sale. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2002A Bonds and the possibility of delinquent Special Tax or Special Assessment installments not being paid in full.

Exempt Properties

Certain properties are exempt from the Special Taxes and Special Assessments in accordance with the Bond Resolution. The Bond Resolution provides that the Special Taxes shall not be levied on any property that is fully developed prior to the creation of the District and property exempt from regular ad valorem property taxes. Special Assessments may not be levied on such property or on Public Property, Non-Benefitted Property and property that becomes fully developed. See "THE DISTRICT — Methodology for Levying the Special Taxes and Special Assessments." If for any reason property subject to the Special Taxes and Special Assessments becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, or another public agency, the Bond Resolution does not permit the Special Assessments to be reallocated to the remaining taxable properties within the District. If a substantial portion of land within the District became exempt from the Special Assessments because of public ownership, or otherwise, the Special Taxes and Special Assessments that could be levied upon the remaining property might not be sufficient to pay principal of and interest on the 2002A Bonds when due and a default could occur with respect to the payment of such principal and interest.

Direct and Overlapping Debt

The ability of an owner to pay the Special Taxes and Special Assessments could be affected by the existence of other taxes and assessments imposed on taxable parcels. In addition, the County and other public entities beyond the control of the County could impose additional taxes and assessments on the property in the District in order to finance public improvements. The lien created by the levy of such added taxes and assessments could be on a parity with the lien of the Special Taxes and Special Assessments. Such additional liens could increase the possibility that any tax sale proceeds would not be adequate to pay the debt service on the 2002A Bonds when due.

Disclosure to Future Property Purchasers

The County will record a Declaration of the Special Tax and Special Assessment Lien encumbering the property included in the District in the Land Records of Montgomery County prior to the delivery of the 2002A Bonds. While title companies normally refer to such declarations in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax and Special Assessment obligation in the purchase of a residential unit or the lending of money thereon. Although State and County laws require that the existence of the Special Taxes and Special Assessments pertaining to the District be disclosed to future purchasers, any failure by the Developers or subsequent property owners to disclose the existence of the Special Taxes and Special Assessments may affect the willingness and ability of future owners of land within the District to pay the Special Taxes and Special Assessments when due.

No Acceleration Provision

The 2002A Bonds do not contain a provision allowing for the acceleration of the 2002A Bonds in the event of a payment default or other default under the terms of the 2002A Bonds or the Indenture. The ultimate source of recovery in the event of a default on payment of Special Taxes and Special Assessments is the tax sale provisions described under "SECURITY FOR THE 2002A BONDS — Special Taxes and Special Assessments."

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the 2002A Bonds or, if a secondary market exists, that such 2002A Bonds can be sold for any particular price. It is possible that, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue may be suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Loss of Tax Exemption

As discussed under the caption "TAX EXEMPTIONS", the interest on the 2002A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2002A Bonds as a result of a failure of the County to comply with certain provisions of the Code. Should such an event of taxability occur, the 2002A Bonds are not subject to early redemption, and will remain outstanding to maturity or until redeemed under the optional redemption, extraordinary redemption or mandatory sinking fund redemption provisions of the Indenture. All of the 2002 Bonds constitute a single composite issue of bonds for certain federal income tax purposes relating to the exclusion from gross income of interest on the 2002 Bonds. Accordingly, an event associated with the 2002B Bonds may cause interest on the 2002A Bonds to become subject to federal income taxation.

CONTINUING DISCLOSURE

The County and the Developers have agreed to provide financial information, operating data and event disclosures. The specific nature of the information to be contained in the Annual Report, as well as the circumstances under which other material events are reported, is contained in Appendix E — Form of Developer's Continuing Disclosure Agreement and Appendix F — Form of County's Continuing Disclosure Agreement. Failure to comply with the requirements of any of the Continuing Disclosure Agreements will not result in a default under the 2002A Bonds.

ENFORCEABILITY OF REMEDIES

The 2002A Bonds do not contain a provision allowing for the acceleration of the 2002A Bonds in the event of a payment default or other default under the terms of the 2002A Bonds or the Indenture. Upon the occurrence and continuation of a default, the Bond Insurer shall be entitled to control and direct the enforcement of any rights and remedies granted to the holders of the Bonds or the Trustee as if the Bond Insurer was the holder of all outstanding 2002A Bonds.

The Bond Insurer will be included as a party in interest (third party beneficiary) with respect to the Indenture and as a party entitled to (i) notify the Trustee of the occurrence of a default and (ii) request the Trustee to intervene in any judicial proceedings that affect the 2002A Bonds.

In the event that the County fails to perform its obligations under the Indenture and under the 2002A Bonds to the Holders thereof, the Trustee, with the prior written consent of the Bond Insurer, may, or at the direction of the Bond Insurer, shall, proceed to protect and enforce its rights and the rights of the Holders or the Bond Insurer or under the laws of the State of Maryland by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained in the Indenture or in aid or execution of any power granted therein, or for the enforcement of any proper legal or equitable remedy to protect and enforce such rights.

The remedies available to the holders of the 2002A Bonds upon an event of default under the 2002A Bonds are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, any remedies available to the holders of the 2002A Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2002A Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

TAX EXEMPTIONS

In the opinion of Bond Counsel, to be delivered contemporaneously with the delivery of the 2002A Bonds, interest on the 2002A Bonds (1) is excludable from the gross income of the recipients thereof for federal income tax purposes under existing laws, regulations, rulings and judicial decisions and (2) is not an item of tax preference for purposes of federal alternative minimum tax imposed on individuals and corporations. However, Bond Counsel is also of the opinion that for certain corporations interest on the 2002A Bonds is included in the "adjusted current earnings" (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of corporate earnings and profits under Subchapter C of the Code) and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to this adjustment and before reduction for certain net operating losses).

The opinion of Bond Counsel will assume continuing compliance with the covenants of the County and the Developers pertaining to those sections of the Code which affect the excludability from gross income of interest on the 2002A Bonds for federal income tax purposes and, in addition, will rely on representations by the County and the Developers with respect to matters solely within the knowledge of the County and the Developers, which Bond Counsel has not independently verified. If the County and the Developers should fail to comply with such covenants, or if the representations relied upon should be determined to be inaccurate or incomplete, interest on the 2002A Bonds could become taxable from the date of delivery of the 2002A Bonds, regardless of the date on which the event causing such taxability occurs.

The initial public offering price of a portion of the 2002A Bonds (the "OID Bonds"), at which a substantial amount of the OID Bonds were sold to the public is less than their principal amount payable at maturity or upon earlier redemption. The difference between such initial public offering price and the principal amount payable at maturity or upon earlier redemption constitutes original issue discount ("OID"). In the case of an original owner of an OID Bond, the amount of the OID that is treated as having accrued with respect to the OID Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID that would have accrued for that semiannual period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of the OID Bonds and with respect to state tax consequences of owning OID Bonds.

Although Bond Counsel will render an opinion that interest on the 2002A Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the 2002A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel will not express any opinion regarding any such consequences. Purchasers of the 2002A Bonds, particularly purchasers that are corporations (including S Corporations and foreign corporations operating branches in the United States), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or holding the 2002A Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the 2002A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the 2002A Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel will not express any opinion regarding any pending or proposed federal tax legislation.

All of the 2002 Bonds constitute a single composite issue of bonds for certain federal income tax purposes relating to the exclusion from gross income of interest on the 2002 Bonds. Accordingly, an event associated with the 2002B Bonds may cause interest on the 2002A Bonds to become subject to federal income taxation.

Bond Counsel is also of the opinion that the principal amount of the 2002A Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized on their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the 2002A Bonds or the interest thereon.

Except as stated above, Bond Counsel will not express any opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the 2002A Bonds.

LEGALITY FOR INVESTMENT

The 2002A Bonds are a legal investment for all public officers and public bodies of the State and its public subdivisions, all insurance companies, state banks and trust companies, national banking associations, savings banks, savings and loan associations, investment companies, executors, administrators, trustees, and other fiduciaries, and constitutes a security that may be deposited with and received by any state or county officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State is authorized by law.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2002A Bonds, or in any way contesting or affecting the validity of the 2002A Bonds or any proceedings of the County taken with respect to the creation of the District, the levy of Special Taxes or Special Assessments, and the issuance or sale of the 2002A Bonds, or the pledge or application of any moneys or security provided for the payment of the 2002A Bonds.

There is no litigation of any nature now pending or threatened by or against the Developers (i) in any way questioning the due formation and valid existence of the Developers, (ii) in any way questioning or affecting the validity of the Implementation Agreement or the consummation of the transactions contemplated thereby, (iii) in any way questioning or contesting the validity of any governmental approval of any development by the Developers within the District or any aspect thereof, or (iv) which would have a material adverse effect upon the financial condition of the Developers or the ability of the Developers to undertake any development within the District.

RATINGS

Fitch Ratings and Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies have assigned ratings of AA to the 2002A Bonds with the understanding that upon delivery of the 2002A Bonds, the Bond Insurance Policy will be issued by Asset Guaranty Insurance Company.

Without consideration of the Bond Insurance Policy, Fitch Ratings and Moody's Investors Service have assigned the 2002A Bonds ratings of BBB and Baa3, respectively.

A rating reflects only the view of the rating agency issuing such rating. An explanation of the significance of a particular rating may be obtained from the rating agency furnishing it. The County and the Bond Insurer furnished the rating agencies the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions.

There is no assurance that any of such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by any of the rating agencies if, in their judgement, circumstances so warrant. Any such downward revision or withdrawal by any of the rating agencies may have an adverse effect on the market prices of the 2002A Bonds.

UNDERWRITING

Legg Mason Wood Walker Incorporated (the “Underwriter”) has agreed pursuant to a contract with the County, subject to certain conditions, to purchase the 2002A Bonds from the County at a purchase price of $11,354,533 (representing the aggregate initial offering price of the 2002A Bonds, less an original issue discount of $135,267 and an underwriter's discount of $110,200). The Underwriter’s obligations are subject to certain conditions precedent and the Underwriter will be obligated to purchase all of the 2002A Bonds if they are purchased. The 2002A Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISORS

Government Finance Group/ARD, Inc., Arlington, Virginia, has served as Financial Advisor to the County with respect to the issuance and delivery of the 2002A Bonds.

MuniFinancial, Inc. has assisted the County with the preparation of the methodology for levying the Special Taxes and Special Assessments appearing under the caption "THE DISTRICT — Methodology for Levying Special Taxes and Special Assessments" and in the Bond Resolution attached hereto as Appendix A.

LEGAL MATTERS

Certain legal matters related to the authorization, sale and delivery of the 2002A Bonds are subject to the approval of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel, who will render an opinion with respect to the 2002A Bonds substantially in the form set forth in Appendix C. Certain disclosure matters will be passed upon by McGuireWoods LLP, Baltimore, Maryland, Disclosure Counsel. Certain legal matters will be reviewed for the County by the County Attorney and for the Underwriter by Ballard Spahr Andrews & Ingersoll, LLP, Washington, D.C. Certain legal matters will be passed upon for the Developers by their counsel, Linowes and Blocher LLP, Silver Spring, Maryland.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the 2002A Bonds and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such documents for full and complete statements of such provisions.

This Official Statement is submitted in connection with the sale of the 2002A Bonds and may not be reproduced or used, as a whole or as a part, for any purpose. This Official Statement is not to be construed as a contract with the purchaser or the Bondholders or Beneficial Owners of any of the 2002A Bonds.

This Official Statement has been duly authorized, executed and delivered by the County.

MONTGOMERY COUNTY, MARYLAND

/s/ Bruce Romer
Bruce Romer, Chief Administrative Officer

/s/ Timothy L. Firestine
Timothy L. Firestine, Director of Finance

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

BOND RESOLUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

Resolution No.: 13-1398
Introduced: July 28, 1998
Adopted: August 4, 1998

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: Authorization of Special Obligations Bonds (West Germantown Infrastructure Improvements)

Background

1. Pursuant to Chapter 20A of the 1994 Montgomery County Code, as amended (the "State Act") and Chapter 14 of the 1994 Montgomery County Code, as amended (the "County Act" and, together with the State Act, the "Acts"), on January 13, 1998, the County Council adopted Resolution No. 13-1135 ("Resolution No. 13-1135") which, inter alia,

    (a) created the West Germantown Development District (the "District"),

    (b) provided for the imposition of a benefit assessment on undeveloped property located in the District (as more particularly described in Section 1, the "Special Assessments") and the levy of an ad valorem tax on all real property located in the District (as more particularly described in Section 1, the "Special Taxes" and, together with the Special Assessments, the "Special Taxes and Assessments") at such rates as shall be sufficient to pay the principal of, interest on and any redemption premium on any special obligation bonds issued with respect to the District and to replenish any related debt service reserve fund,

    (c) created the West Germantown Development District Special Fund (the "Special Fund"), and

(d) required that the proceeds from the Special Taxes and Assessments be paid into the Special Fund.

2. Section J of Resolution No. 13-1135 provides that before any bonds are issued to finance infrastructure improvements related to the District, the County Council must adopt one or more bond resolutions as provided in Section 14-13 of the County Act.

3. Pursuant to the authority granted under the Acts, the County has determined to finance the costs of certain infrastructure improvements within the District and certain infrastructure improvements outside of the District which are located in the County, but serve the District and are related to the development or use of land in the District (as more particularly described in this resolution, the "Infrastructure Projects"), through the issuance, at one time or from time to time in one or more series, of its Special Obligation Bonds (West Germantown Infrastructure Improvements)(the "1998 Bonds").

4. By this resolution, the County desires

(a) to implement the authority conferred upon it by the Acts to authorize the issuance of the 1998 Bonds in the aggregate principal amount not to exceed $20,000,000,

(b) to specify the basis upon which the Special Taxes and Assessments will be levied in the District and the exemptions from the Special Taxes and Assessments;

(c) to describe the Infrastructure Projects,

(d) to authorize the County Executive to specify, prescribe and determine certain matters with respect to the sale, security, issuance, delivery, and payment of or for the 1998 Bonds, and

(e) to specify certain other matters relating to the 1998 Bonds, the Infrastructure Projects and the District.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

SECTION 1: Definitions. Capitalized terms used in this resolution have the meanings given to such terms in the Background section and in this Section. Terms that are not defined in this resolution have the same meaning as provided in the Tax-Property Article of the Annotated Code of Maryland.

"Administrative Expenses" means any or all of the following: the fees and expenses of the Fiscal Agent employed by the County in connection with the Bonds; the expenses of the County in carrying out its duties under the Fiscal Agent Agreement with respect to the Bonds, including, but not limited to, levying and collecting the Special Assessment and the Special Tax, complying with arbitrage rebate requirements and obligated persons disclosure requirements associated with applicable federal and state tax and securities law, including the fees of any professionals retained by the County to provide services for such purposes; an allocable share of the salaries of County personnel directly related thereto, and a proportionate amount of County general administrative overhead related thereto; and all other costs and expenses of the County or the Fiscal Agent incurred in connection with the discharge of their respective duties under the Fiscal Agent Agreement with respect to the Bonds and, in the case of the County, in any way related to the administration of the District.

"Annual Revenue Requirement" means for any taxable year:

(a) the amount required in any taxable year to pay:

(1) debt service and other periodic costs on the Bonds,

(2) a pro rata share of the Administrative Expenses to be incurred in the taxable year or incurred in any previous taxable year and not paid by the

District, such pro rata share to be equal to the amount of Special Assessment Revenues divided by the aggregate Special Assessment Revenues and Special Tax revenues, and

(3) the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash),

less

(b) (1) any credits available under the Fiscal Agent Agreement, such as investment earnings on any account balances, which may be offset by delinquencies in payment of the Special Assessments (whether estimated or actual) not otherwise taken into account in a replenishment of the reserve fund, and

(2) Special Taxes available to be applied to the Annual Revenue Requirement.

"Appraisal Report" means the report prepared by Delta Associates, Inc. dated July 27, 1998, which estimates the value added to the property in the District as a result of the financing of the Infrastructure Projects by the County pursuant to the Special Assessments, which shows that such value is equal to or greater than the Special Assessments to be levied on the property in the District.

"Bonds" means any bonds or other debt, including refunding bonds, whether in one or more series, issued by the County from time to time for the District under the Acts, including the 1998 Bonds.

"Debt Service Reserve Fund" means the debt service reserve fund established in Section 4(c) of this resolution.

"Equivalent Dwelling Units" means the development estimated to occur, adjusted for the use of the Infrastructure Projects, as described in the Special Assessment Allocation Report or as otherwise determined by the County Council.

"Exempt Property" means any property that is fully developed prior to the creation of the District. Fully developed means there is a building on the property, the property cannot be More Intensively Developed without action by the property owner and the property owner has not taken any action that would result in the property being More Intensively Developed.

"Final User" means, for residential property, a person or persons who will be occupying or leasing for occupancy the property, and for non-residential property, a person or persons who will be using the property in a trade or business and for which primary value of the property does not result from the further development of the property.

"Fiscal Agent" means the trustee or fiscal agent appointed by the County for the District to carry out the duties of the trustee or fiscal agent specified in the Fiscal Agent Agreement.

"Fiscal Agent Agreement" means the indenture or fiscal agent agreement relating to the Bonds, as modified, amended and/or supplemented from time to time.

"Infrastructure Projects" means those infrastructure improvements described in Section 3(a) of this resolution.

"Maximum Special Assessment Rate" means, for any taxable year, the Annual Revenue Requirement plus Special Taxes available to be applied to the Annual Revenue Requirement, divided by the sum of the Equivalent Dwelling Units on all property in the District, excluding Public Property, Exempt Property, and Non-Benefitted Property, but including the property on which Special Assessments are not levied under Section 6(d) of this resolution for the same taxable year.

"Maximum Special Tax Rate" means, for any taxable year, the Special Tax Rate that, absent any other revenue source, would generate Special Tax revenues that exceed the Special Tax Requirement by ten percent; provided that, in calculating the Maximum Special Tax Rate, the Special Tax Requirement shall not include any delinquencies in the payment of Special Taxes or Special Assessments.

"More Intensively Developed" means

(a) the development of additional permanent buildings on the property or a change in the use of the property from the use when the District was created,

(b) plan approval is granted by the County or the Maryland-National Capital Park and Planning Commission for the development of the property that will result in the construction of additional permanent buildings on the property or a change in the use of the property from the use when the District was created, or

(c) the zoning is changed for the property at the request of the property owner in a manner that would allow additional permanent buildings to be constructed or allow a change in use of the property from the use when the District was created.

"Non-Benefitted Property" means property owned by a homeowners association, property for the exclusive use of public utility service providers, permanent open space, public road rights-of-way, storm drainage ponds, or other areas on which there will be no development for the purpose of making a profit.

"Parcel" means a lot or parcel with a tax parcel account number for real property tax purposes.

"Public Property" means any property owned by the United States, any county, state, or municipal government, or any instrumentality, agency, or political subdivision thereof.

"Special Assessment" means the special assessment levied on property in the District by the County Council in accordance with the Acts.

"Special Assessment Allocation Report" means the report prepared by MBIA MuniFinancial, dated July 28, 1998, which estimates a reasonable basis for allocating the Special Assessments to the property within the District.

"Special Assessment Rate" means, for any taxable year, the Annual Revenue Requirement divided by the sum of the Equivalent Dwelling Units on all property in the District, excluding Public Property that is exempt from the Special Assessment under this resolution, Exempt Property, Non-Benefitted Property, or property that is not subject to the levy of the Special Assessments under Section 6(d) of this resolution for the same taxable year.

"Special Assessment Revenues" means the total Special Assessments collected in each taxable year, excluding prepayments.

"Special Tax" means the special tax levied on property in the District by the County Council in accordance with the Acts.

"Special Tax Rate" means the property tax rate set by the County Council for the Special Tax under Section 5(b) of this resolution.

"Special Tax Requirement" means for any taxable year:

(a) the amount required in any taxable year to pay

(1) debt service and other periodic costs on the Bonds or other indebtedness of the District,

(2) a pro rata share of the Administrative Expenses to be incurred in the taxable year or incurred in any previous taxable year and not paid by the District, such pro rata share to be equal to the amount of Special Tax revenues divided by the

aggregate Special Assessment Revenues and Special Tax revenues,

(3) any amount required to replenish any reserve fund established for the Bonds,

(4) an amount equal to the estimated delinquencies expected in payment of the Special Tax not otherwise taken into account in a replenishment of the reserve fund, and

(5) the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash),

less

(b) any credits available under the Fiscal Agent Agreement, such as investment earnings on any account balances.

SECTION 2: Compliance with Procedures. The County has complied with the procedures in the County Act, including but not limited to Section 14-9 of the County Act.

SECTION 3: The Infrastructure Projects.

(a) The Infrastructure Projects that will be financed are those projects described in Exhibit A, which is attached to this resolution and incorporated in this resolution as if fully set out in this resolution, including the estimated cost related to each improvement, the estimated completion date of each improvement, and the share of the that cost which will be financed through the District. To the extent that any cost savings are realized in the construction of any Infrastructure Projects listed on Exhibit A, those cost savings may be applied to the construction of additional Infrastructure Projects listed on Exhibit B in the order listed on Exhibit B, which is attached to this resolution and incorporated in this resolution as if fully set out in this resolution. All of the Infrastructure Projects are either located in the District, or are outside the geographic boundaries of the District but serve the District and are reasonably related to the development or use of land in the District.

(b) The construction of the Infrastructure Projects is declared

(i) to create a public benefit,

(ii) to create special benefits to the properties assessed in the District, and

(iii) to serve a public purpose.

SECTION 4: The 1998 Bonds.

(a) The issuance and sale of the 1998 Bonds in the aggregate principal amount not to exceed $20,000,000 is authorized and approved. The 1998 Bonds may be issued at one time or from time to time in one or more series as determined by the County Executive by executive order or otherwise.

(b) The 1998 Bonds are not an indebtedness of the County within the meaning of Section 312 of the Montgomery County Charter. Pursuant to the Acts, the 1998 Bonds are special obligations of the County and do not constitute general obligations of the County. The County's full faith and credit is not pledged to pay the principal, interest or premium, if any, on the 1998 Bonds. The 1998 Bonds are payable from the Special Taxes and Assessments on deposit in the Special Fund and from any other assets or revenues of the District pledged towards their payment.

(c) There is established for the 1998 Bonds the Debt Service Reserve Fund. The County Executive is authorized to determine, by executive order or otherwise, the manner and the terms upon which the Debt Service Reserve Fund will be funded, held and disbursed for the benefit of the holders of the 1998 Bonds.

(d) The County Executive is authorized, by executive order or otherwise, to

(i) establish sinking funds for the 1998 Bonds,

(ii) pledge other assets in and revenues from the District towards the payment of the principal and interest on the 1998 Bonds, and

(iii) arrange for insurance or any other financial guaranty of the 1998 Bonds.

SECTION 5: The Special Taxes.

(a) General.

(i) All of the real property in the District is subject to the Special Tax, except for Exempt Property and property exempted from property taxes by law.

(ii) The Special Tax will be levied and collected, and is payable, in the same manner, for the same period or periods, and with the same date or dates of finality as property taxes, except as otherwise provided in this resolution. All unpaid Special Taxes are, until paid, a lien on the property in respect to which they are imposed from the date they become payable, and are subject to interest and penalties, to the same extent as property taxes.

(iii) The Special Taxes cannot be accelerated because of any default in payment of the principal of or interest on the Bonds.

(b) Setting the Special Tax Rate.

(i) Commencing with the first taxable year after the taxable year in which Bonds are issued and for each following taxable year, the County Council must levy the Special Tax at the Special Tax Rate that, when multiplied by the estimated assessment of all of the taxable property in the District at full build-out of the District, will result in Special Tax revenues at least equal to the Special Tax Requirement for that taxable year.

(ii) In setting the Special Tax Rate each taxable year, the County Council must consider the following:

(A) The estimated assessment of all taxable property in the District at full build-out of the District, based on a representative sample of current fully improved property in the District; and

(B) The Special Tax Requirement, assuming delinquencies do not increase the Special Tax Requirement by more than ten percent.

(iii) The Special Tax Rate applicable to any Parcel in the District is limited to the Maximum Special Tax Rate. The County Council must not increase or extend the term of the Maximum Special Tax Rate applicable to any Parcel because of any delinquency or default by any other taxpayer.

(c) Taxation of Formerly Exempt Property.

(i) Termination of Exemption. A Parcel ceases to be Exempt Property if

(A) the Parcel becomes More Intensively Developed, and

(B) the Parcel benefits from any development capacity attributable to infrastructure improvements financed by the District.

(ii) Taxation of Formerly Exempt Property. A Parcel that ceases to be Exempt Property under subsection (c)(i) must be subject to the Special Tax in the next taxable year. In addition, the Parcel must be subject to the Special Tax for all prior taxable years in which the Special Tax was levied as if it were not Exempt Property for those years The Special Tax for prior taxable years may be paid in installments over five years with interest at the weighted average of the true interest cost of the Bonds, but must be fully paid for any Parcel no later than the date the Parcel is fully improved and sold to a Final User.

(d) Termination of Special Tax. The Special Tax must not be levied after the date all Bonds have been fully repaid.

SECTION 6. The Special Assessments.

(a) General.

(i) All of the real property in the District is subject to the Special Assessments, except for Exempt Property, property exempted from property taxes by law, Public Property, Non-Benefitted Property and property that is not subject to the levy of the Special Assessments under subsection (d).

(ii) The Special Assessments will be levied and collected, and are payable, in the same manner, for the same period or periods, and with the same date or dates of finality as property taxes, except as otherwise provided in this resolution. All unpaid Special Assessments are, until paid, a lien on the property in respect to which they are imposed from the date they become payable, and are subject to interest and penalties, to the same extent as property taxes.

(iii) The Special Assessments cannot be accelerated because of any default in payment of the principal of or interest on the Bonds.

(b) Findings. The County Council finds that the Special Assessments levied in accordance with this resolution:

(i) are levied in an amount that do not exceed the special benefit the Parcels within the District receive from the Infrastructure Projects, as shown by the Appraisal Report provided to the County Council, and

(ii) the Special Assessment levied on each Parcel is a reasonable and fair allocation of the Special Assessments to each Parcel, as shown by the Special Assessment Allocation Report provided to the County Council.

(c) Determining the Special Assessments.

(i) Commencing with the first taxable year after the taxable year in which Bonds are issued and for each following taxable year, the County Council must levy a Special Assessment on each Parcel in the District in an amount equal to the Equivalent Dwelling Units for each Parcel, multiplied by the lesser of

(A) the Special Assessment Rate, or

(B) the Maximum Special Assessment Rate.

(ii) The Special Assessment applicable to any Parcel in the District is limited to the Maximum Special Assessment Rate. The County Council must not increase or extend the term of the Maximum Special Assessment Rate applicable to any Parcel because of any delinquency or default by any other taxpayer.

(iii) The County Council must not levy the Special Assessment in any taxable year in which the Special Assessment is equal to zero.

(d) Exemption from the Collection of the Special Assessment.

(i) The Special Assessment will not be collected on any Parcel for which on the date the Special Assessment is levied

(A) a permanent building has been constructed,

(B) the building is ready for occupancy or use, and

(C) the Special Tax is levied on the full value of the constructed building.

(e) Assessment of Formerly Exempt Property.

(i) Termination of Exemption. A Parcel ceases to be Exempt Property if

(A) the Parcel becomes More Intensively Developed, and

(B) the Parcel benefits from any development capacity attributable to improvements financed by the District.

(ii) Levy of the Special Assessment on Formerly Exempt Property. A Parcel that ceases to be Exempt Property under subsection (e)(i) must be subject to the Special Assessments in the next taxable year. In addition, the Parcel must be subject to the Special Assessments for all prior taxable years in which the Special Assessments were levied as if it were not Exempt Property for those years. The Special Assessment for prior taxable years may be paid in installments over five years with interest at the weighted average true interest cost of the Bonds, but must be fully paid for any Parcel no later than the date the Parcel is fully improved and sold to a Final User.

(f) Termination of Special Assessments. The Special Assessments must not be levied after the earlier of the date

(i) all Bonds have been fully repaid, or

(ii) there are no Parcels on which a Special Assessment may be levied.

SECTION 7: Covenant to Levy Special Taxes and Assessments.

(a) In accordance with the methodology described in Sections 5 and 6 of this resolution, the County covenants to levy the Special Taxes and Assessments at a rate and amount sufficient in each year when any Bonds are outstanding:

(i) to provide for the payment of the principal of and interest on the Bonds and the redemption premium, if any, on the Bonds,

(ii) to replenish the Debt Service Reserve Fund,

(iii) to enforce the collection of the Special Taxes and Assessments as provided in Section 52-36, et seq., of the County Code and Section 14-808, et seq., of the Tax Property Article of the Maryland Annotated Code, or other applicable law, and

(iv) to pay the Administrative Expenses.

(b) The projected Special Taxes and Assessments will be sufficient to retire the 1998 Bonds, taking into account the value of the land in the District.

(c) The levy of Special Taxes and Assessments is declared to be calculated in a reasonable manner that results in fairly allocating the cost of the Infrastructure Projects.

(d) The provisions of Sections 5 and 6 are subject to any change in law that does not materially impair the District's ability to pay principal and interest on the Bonds and to maintain adequate debt service reserves.

SECTION 8: Authority of County Executive. The County Executive is authorized by executive order to determine or approve, for the purposes and within the limitations of the Acts, this resolution and Resolution No. 13-1135, all matters, details, forms, documents, and procedures pertaining to the sale, security, issuance, delivery, and payment of or for the 1998 Bonds, including, without limitation, the following:

(a) the actual principal amount of the 1998 Bonds to be issued;

(b) the actual rate or rates of interest for the 1998 Bonds;

(c) how, when and on what terms the 1998 Bonds must be sold;

(d) how, when and where interest on the 1998 Bonds must be paid;

(e) when the 1998 Bonds may be executed and delivered;

(f) the form and tenor of the 1998 Bonds (including any change to the name of the 1998 Bonds as set forth in this resolution deemed desirable by the County Executive), and the denominations in which the 1998 Bonds may be issued;

(g) how, when and where the principal of the 1998 Bonds must be paid within the limitations of Section 14-13 of the County Code;

(h) how any or all of the 1998 Bonds may be called for redemption before their stated maturity dates;

(i) any other provision of the 1998 Bonds not inconsistent with law that is necessary or desirable to finance the Infrastructure Projects;

(j) the form and contents of, and provisions for the execution and delivery of, such financing documents as the County Executive deems necessary or desirable to evidence, secure, or effectuate the issuance, sale and delivery of the 1998 Bonds, including without limitation, any indentures, fiscal agent agreements, implementation agreements, funding agreements, security agreements, assignments, guaranties, financing agreements or other agreements;

(k) the creation of security for the 1998 Bonds and provision for the administration of the 1998 Bonds, including without limitation the appointment of such trustees, escrow agents, fiscal agents, payment agents, registrars or other agents as the County Executive deems necessary or desirable to effectuate the transactions authorized by this resolution;

(l) if determined by the County Executive to be necessary or desirable for the sale of the 1998 Bonds, provisions for the preparation and distribution of both a preliminary and final official statement, placement or offering memorandum, or offering circular in connection with the sale of the 1998 Bonds; and

(m) if determined by the County Executive to be necessary or desirable for the sale of the 1998 Bonds, the determination of the form and contents of any written agreement or contract for the benefit of the holders of the 1998 Bonds under which agreement or contract the County will undertake to provide annual financial information, audited financial statements, material events notices, and other information.

SECTION 9: Tax Covenants.

(a) The County covenants that it will take, or refrain from taking, any and all actions necessary to comply with the provisions of Section 103 and Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, as amended, applicable to the 1998 Bonds in order to preserve the status of the 1998 Bonds as excluded from gross income for Federal income tax purposes. Without limiting the generality of the foregoing, the County will

(i) not use or permit the use of any of the proceeds of the 1998 Bonds in such manner as would cause the interest on the 1998 Bonds to be included in gross income for Federal income tax purposes,

(ii) make periodic determinations of the rebate amount and timely pay any rebate amount, or installment thereof, to the United States of America, and

(iii) prepare and timely file Internal Revenue Service Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, or any successor or additional form required by the Internal Revenue Service.

(b) The Director of Finance of the County is authorized to prepare, execute and deliver a tax regulatory agreement and no arbitrage certificate with respect to the 1998 Bonds (the "Tax Regulatory Agreement"). The Tax Regulatory Agreement may be in such form as may be approved by the Director of Finance, and the execution of the Tax Regulatory Agreement by the Director of Finance will be conclusive evidence of his approval of the Tax Regulatory Agreement.

SECTION 10: Other Actions Authorized. The County Executive is authorized and directed to take any and all necessary actions to issue the 1998 Bonds. The County Executive, the Chief Administrative Officer of the County, the County Attorney, the Director of Finance of the County, the Secretary of the County Council or any other officer of the County authorized by the County Executive are authorized to execute, attest, affix the County's seal to and deliver, and to file and record in any appropriate public offices (if applicable) all documents, instruments, certifications, forms, financing statements, letters of instructions, written requests, contracts, agreements and other papers, as may be necessary or convenient to evidence the approvals of the County provided in this resolution and to consummate the transactions contemplated in this resolution or in any of the documents authorized and approved by this resolution.

SECTION 11: Other Requirements. Before any Bonds are issued:

(a) the owners of property in the District who approved the creation of the District must execute a written consent to the declaration described in Section 14-17(c) of the County Act, and the written consent must be recorded among the Land Records of Montgomery County,

(b) the owners of property in the District who did not approve the creation of the District and who elect to defer payment of the Special Tax as authorized by Section 20A-1(J) of the State Act must execute a written agreement that sets forth their agreement with the County regarding the deferral of the Special Tax and the terms of the deferral, and the written agreement must be recorded among the Land Records of Montgomery County, and

(c) the County must receive an opinion from legal counsel to the owners of property in the District who approved the creation of the District in form and substance satisfactory to bond counsel to the County.

This is a correct copy of Council action.

Mary A. Edgar

Mary A. Edgar, CMC
Secretary of the Council

MONTGOMERY COUNTY
WEST GERMANTOWN DEVELOPMENT DISTRICT

SPECIAL ASSESSMENT ALLOCATION REPORT

Prepared By:

MBIA MuniFinancial

July 28, 1998

SPECIAL ASSESSMENT ALLOCATION REPORT

Purpose of Report

The West Germantown Development District is being created to provide public improvements with an estimated cost of $12,831,177. Bonds are expected to be issued to fund these improvements. The bonds will include the cost of the improvements, issuance costs, interest on the bonds during the construction period and a portion of the marketing period, and a reserve fund, resulting in a total bond issue estimated at $16,640,000.

The county will levy and collect a special assessment each year to pay the debt service due on the bonds and the cost of administration of the district. Special assessments are to be levied in a manner that meets the following two requirements:

1. The total of the special assessments levied on all of the property in the district is equal to or less than the increase in the value of the property that results from the public improvements provided by the county;

2. The special assessments are allocated to the parcels in the district in a manner that fairly reflects the relative benefit each parcel will receive from the public improvements.

This report explains how the special assessments to be levied each year by the county will meet these two requirements.

Increase in Property Value

The county retained Delta Associates, Inc. to prepare an appraisal of the property in the district and, based on this appraisal to estimate the increase in value of the property that results from the financing of the public improvements by bonds issued by the county.

In a report dated July 27, 1998, Delta estimated the value of the property as is to be $23,200,000. The value of the property with the public improvements financed by bonds issued by the county was estimated to be $39,900,000.

The special assessments levied each year will be equal to the debt service on the bonds (offset by special taxes collected on the property in the district). The amount of bonds to be issued is estimated to be $16,640,000. This is less than the increase in property value of $16,700,000 that results from the public improvements to be financed by bonds issued by the county, as estimated by Delta Associates. Accordingly, the total of the special assessments levied on the property in the district is less than the increase in the value of the property that results from the public improvements provided by the county.

Allocation of Special Assessments

The special assessments to be levied on the property in the district will be equal to the debt service on the bonds to be issued by the county, along with the administration expenses of the county. These assessments are to be allocated to the parcels within the district in a manner that fairly represents the relative benefit of the public improvements to each parcel.

There are many means of allocating the benefit property receives from public improvements. The objective of this report is to calculate a fair and reasonable allocation of the special assessments: not a perfect or even the most fair and reasonable allocation. A perfect allocation is not possible, since a perfect prediction of the use made of the improvements by the property within the district cannot be made. The most reasonable and fair allocation of the benefit received from the public improvements is subjective and will vary with almost every opinion. The special assessments are allocated in manner that is reasonable, which means primarily, in a manner that is not arbitrary or irrational.

Special assessments are to be levied on the property in the district in an equal amount per equivalent dwelling unit. An equivalent dwelling unit represents a measure of the use of the public improvements. For example, as will be explained in the following sections, a single family unit in King's Crossing is estimated to utilize the public improvements in an amount equal to one equivalent dwelling unit, while a town house in Hoyles Mill Village is estimated to utilize the public improvements in an amount equal to 0.67 equivalent dwelling units. This simply means that the ratio of the use of the public improvements by a town house in Hoyles Mill Village is estimated to be sixty-seven percent of the use of the public improvements by a single family house in King's Crossing.

The use of each public improvements is estimated and allocated in the following manner:

Richter Farm Road:

Clopper Road to Schaefer Road:	Allocated by trip generatio[illegible]s for single family and multifamily units.
Schaefer Road to MD Route 118:	Allocated to King's Crossing, since this road is required for the development of King's Crossing and is not required for the development of Hoyles Mill Village, and by trip generation rates for single family and multifamily units within King's Crossing.
Schaefer Road:	Allocated to Hoyles Mill Village, since this road is required for the development of Hoyles Mill Village and is not required for the development of King's Crossing, and by trip generation rates for single family and multifamily units within Hoyles Mill Village.

Waste water pump station and force main:	Allocated to single family detac... ...nd multifamily u... on the basis of estimated sewage flows in gallons per day.
Parks:	The cost of the park to be located in King's Crossing is allocated equally to each housing unit in King's Crossing and the cost of the park to be located in Hoyles Mill Village is allocated equally to each housing unit in Hoyles Mill Village.

The calculation of equivalent dwelling units from the estimate of the use of these public improvements is explained in the following sections.

Public Improvements

Table 1 summarizes the costs of the public improvements to be provided by the district. The actual costs of the public improvements may be different than the estimates shown in Table 1. The special assessments are allocated on the basis of the best estimates of the costs of the improvements available at the time the special assessments are approved by the county council.

Table 1
Public Improvements

Public Improvement	Estimated Cost
Richter Farm Road:	
Clopper Road to Schaefer Road	$5,224,866
Schaefer Road to MD Route 118	$2,156,047
Schaefer Road	$992,244
Waste water pump station and force main	$3,838,020
Parks	$620,000
Total	$12,831,177

Apportionment to Land Uses

The costs of the public improvements are apportioned on the basis of the use of the public improvements. In some cases, the use of the public improvements is expected to be a function of the type of development that occurs on each parcel. For example, the use of the road improvements for the single family units is greater than the use for the multifamily units. The proposed land uses within the district are summarized in Table 2.

Table 2
Proposed Land Use

Land Use	King's Crossing	Hoyles Mill Village	Total
Single Family	714	376	1,090
Multifamily	102	193	295
Total	816	569	1,385

Table 3 provides the estimates of the use of the public improvements by land use type. The use of road improvements is estimated based on the average number of daily trips. Trip generation rates are taken from *Trip Generation, 6th Edition*, published by the Institute of Transportation Engineers (Washington, D.C., 1997). The trip rates are for weekday average daily traffic. The categories in Trip Generation are "Single Family Housing" (pg. 263) and "Residential Condominium and Town House" (pg. 361). As was explained previously, the cost of Richter Farm Road from Schaefer Road to Maryland Route 118 is allocated entirely to King's Crossing, since these improvements are required for the development of King's Crossing but are not required for the development of Hoyles Mill Village. Conversely, the cost of Schaefer Road is allocated entirely to Hoyles Mill Village, since these improvements are required for the development of Hoyles Mill Village but are not required for the development of King's Crossing.

The use of the sanitary sewer facilities is estimated for the average gallons per day per household for single family detached and town house units based on the report "1995 Wastewater Flow Factors Analysis" prepared by the Washington Suburban Sanitary Commission. Two parks are to be provided by the development district: one park located in King's Crossing and one in Hoyles Mill Village. The cost of the park to be located in King's Crossing is allocated equally to each housing unit in King's Crossing and the cost of the park to be located in Hoyles Mill Village is allocated to each housing unit in Hoyles Mill Village.

Table 3
Estimates of the Use of the Public Improvements

Public Improvement	Basis of Estimate of the Use of the Public Improvement	King's Crossing		Hoyles Mill Village	
		Single Family	Multi-family	Single Family	Multi-family
Richter Farm Road:					
Clopper to Schaefer	Average daily trips	9.57	5.86	9.57	5.86
Schaefer to MD Route 118	Average daily trips	9.57	5.86		
Schaefer Road	Average daily trips			9.57	5.86
Waste water pump station and force main	Gallons per day	300	230	300	230
King's Crossing Park	Per unit	1.0	1.0		
Hoyles Mill Village Park	Per unit			1.0	1.0

Cost Per Improvement Use Estimate

The product of the number of dwelling units in each land use category, as shown by Table 2, and the use estimates, as shown by Table 3, results in the total estimate of the use for each category of public improvement (e.g., the total trips for Richter Farm Road). The total estimate of the use of the improvements for each category of land use and by type of public improvement is shown by Table 4.

Table 4
Total Use of the Public Improvements

Public Improvement	King's Crossing		Hoyles Mill Village		Total Use
	Single Family	Multi-family	Single Family	Multi-family	
Richter Farm Road:					
Clopper to Schaefer	6,833	598	3,598	1,131	12,160
Schaefer to MD Route 118	6,833	598			7,431
Schaefer Road			3,598	1,131	4,729
Waste water pump station and force main	214,200	23,460	112,800	44,390	394,850
King's Crossing Park	714	102			816
Hoyles Mill Village Park			376	193	569

The cost per unit of use is calculated by dividing the cost of each type of public improvement by the total estimate of use for that category of public improvement (e.g., the cost per gallon of the waste water improvements is \$3,838,020 ÷ 394,850 gallons per day = \$9.72). The cost per unit of use is shown by Table 5. (The numbers in Table 5 and all of the following tables have been rounded for presentation, but are not rounded in the calculations.)

Table 5
Cost Per Unit of Use

Public Improvement	Estimated Cost	Estimate of Use	Cost Per Unit of Use
Richter Farm Road:			
Clopper to Schaefer	\$5,224,866	12,160	\$430
Schaefer to MD Route 118	\$2,156,047	7,431	\$290
Schaefer Road	\$992,244	4,729	\$210
Waste water pump station and force main	\$3,838,020	394,850	\$9.72
King's Crossing Park	\$310,000	816	\$380
Hoyles Mill Village Park	\$310,000	569	\$545

Equivalent Dwelling Units

The equivalent dwelling units for each housing type is based on the costs per housing unit. Table 6 shows the cost per housing unit for each of the public improvements. This cost is the product of the cost per unit of use, as shown in Table 5, and the estimate of the use of the public improvements per unit of development for each land use category, as shown in Table 3. For example, the cost per gallon of the waste water improvements is $9.72. Each single family detached housing unit is estimated to produce 300 gallons of sewage per day. This results in a cost per single family housing unit of $2,916 ($9.72 × 300 = $2,916).

Table 6 also shows the per equivalent dwelling unit (EDU) factors. This factor is simply the ratio of the cost per housing unit. The EDU factor for a single family unit in King's Crossing is set to equal one. The EDU factor for the other units is calculated as the ratio of the cost per unit to the cost per single family unit in King's Crossing (e.g., for the multifamily units in King's Crossing, the ratio is $6,834 ÷ $10,185 = 0.67).

Table 6
Equivalent Dwelling Units

Public Improvement	King's Crossing		Hoyles Mill Village	
	Single Family	Multi-family	Single Family	Multi-family
Richter Farm Road:				
Clopper to Schaefer	$4,112	$2,518	$4,112	$2,518
Schaefer to MD Route 118	$2,777	$1,700		
Schaefer Road			$2,008	$1,229
Waste water pump station and force main	$2,916	$2,236	$2,916	$2,236
King's Crossing Park	$380	$380		
Hoyles Mill Village Park			$545	$545
Total	$10,185	$6,834	$9,581	$6,528
Equivalent dwelling unit	1.00	0.67	0.94	0.64

Example of the Levy of Special Assessments

Special assessments are to be levied on the basis of equivalent dwelling units. In other words, the special assessment levied on each parcel will be a percent of the total special assessments required to be levied, with the percent equal to the equivalent dwelling units of a parcel as a percent of the total equivalent dwelling units in the district.

Table 7 includes a calculation of the total equivalent dwelling units in the district. The total equivalent dwelling units are equal to the number of units as shown in Table 2 multiplied by the equivalent dwelling units as shown in Table 6.

Table 7
Total Equivalent Dwelling Units

	Equivalent Dwelling Units	No. of Units	Total Equivalent Dwelling Units
King's Crossing:			
Single family	1.00	714	714
Multifamily	0.67	102	68.34
Hoyles Mill Village:			
Single family	0.94	376	353.44
Multifamily	0.64	193	123.52
Total			1,259.30

Table 8 provides a calculation of the equivalent dwelling units for a sample parcel. This example assumes that the parcel in located in King's Crossing and fifty single family units and fifty multifamily units may be built on this parcel. The total equivalent dwelling units of this parcel would be 83.50. The equivalent dwelling units on this parcel as a percent of the total equivalent dwelling units is 6.63% (83.50 ÷ 1,259.30 = .0663). Consequently, the special assessment levied on the sample parcel would be 6.63% of the special assessment revenues required in a particular year.

Table 8
Equivalent Dwelling Units
Sample Parcel in King's Crossing

	Equivalent Dwelling Units	No. of Units	Total Equivalent Dwelling Units
King's Crossing:			
Single family	1.00	50	50
Multifamily	0.67	50	33.50
Total			83.50

DELTA
ASSOCIATES, INC.
REAL ESTATE SERVICES

July 27, 1998

VIA FAX TO 301/217-6144; ORIGINAL VIA U.S. MAIL

Jennifer E. Barrett, Financial Policies Manager
Montgomery County Department of Finance
Office of the Director
101 Monroe Street, 15th Floor
Rockville, MD 20850

Re: West Germantown Development District
(Kings Crossing and Hoyles Mill Village Subdivisions)
Montgomery County, Maryland

OPINION OF SPECIAL ASSESSMENT BENEFIT AMOUNT

Dear Jennifer:

Background:

Montgomery County, Maryland has created a development district to provide $12,831,177 of infrastructure improvements for various properties within the above captioned district. The bonds issued to finance these improvements will be secured in part by special assessments levied on the specific properties within the district which will benefit from the funded improvements. The amount of the benefit to the properties is required by Montgomery County to be at least equal to the dollar amount of the special assessments imposed on the property.

One means of making the determination that this criteria has been met is by showing that the special assessments will provide improvements to the property that will increase the property value by an amount at least equal to the dollar amount of the special assessments. To make this determination, Montgomery County has requested that Delta Associates estimate the value of the property both before and after the improvements have been provided by the development district.

Methodology:

The analysis and the resulting calculations attached are based on Development District Projection No. 31, the most recent projection of the structure of the bond financing for the West Germantown Development District. It is our understanding that, as of this date, the probable coupon rate for the issued bonds is expected to fall between 6% and 6.25%.

The Special Assessments to be levied on Kings Crossing and Hoyles Mill Village are estimated to be $16,642,449. These special assessments will secure bonds that will finance improvements of $12,831,177, bond issuance costs estimated at $499,273 and interest costs of $1,647,754. A reserve fund will also be financed in the amount of $1,664,245. The improvement fund is estimated to generate interest in the amount of $717,621, which will be applied to the interest due on the bonds.

The analysis considers that under the "no bond" scenario, developers are not required to provide parks, and the $620,000 estimated cost of the parks has been deducted from the overall infrastructure cost of $12,831,177, resulting in a "no bond" infrastructure cost estimate of $12,211,177. Under the "with bonds" scenario, builder developers are granted the concession of an abatement of impact fees otherwise paid on each dwelling unit at the time a building permit is issued. These fees are substantial, and are expected to generate a dollar for dollar adjustment to lot pricing as the lots are sold off.

Findings:

Value Without the Development District

The value without the development district is calculated assuming the developers fund infrastructure (but no parks) with a conventional land development loan (at prime + 0.75%) which is repaid from lot sale revenue. Credits are given by the County under this scenario for developer funded public facilities associated with Great Seneca Highway ($226,086 to Kings Crossing and $40,008 to Hoyles Mill Village). The land value without the Development District in place is calculated by discounted cash flow analysis to have a net present value of $ 23,200,000.

Value With the Development District

With the Development District in place, developers receive the same credits for the improvement of Great Seneca Highway. In addition, however, they are required to construct two parks, funded at $620,000 by budgeted bond infrastructure monies. An abatement of county required impact fees (paid at building permit issuance) is given for all lots in the district. It is our understanding that these fees are proposed for a probable increase in August 1998. At the present time, payment of $2,084 for each single family lot and $1,389 for each multifamily lot is required by Montgomery County to address the impact of new development.

The land value with the West Germantown Development District in place at July 24, 1998 (but using market benchmarks from research done earlier in 1998) via the development method using discounted cash flow analysis is $39,900,000.

In Conclusion:

Utilizing the net present value with no development district and the net present value with the West Germantown Development District in place, and including the special requirements and abatements associated with the Development District, the property within the district will benefit from the improvements to be provided, and the benefit is calculated to be at least equal to the special assessments imposed on the property within the district.

Respectfully Submitted,

Myra C McCain

By Myra C. McCain, MAI

Enclosure:
1. Table #21
2. Table #21A

DELTA ASSOCIATES, INC. • 701 PRINCE STREET • ALEXANDRIA, VIRGINIA 22314-3004 • (703) 836-5700 • FAX 836-5765
MARYLAND OFFICE • 6700 ROCKLEDGE DR., #400A • BETHESDA, MD 20817 • (301) 896-9053 • FAX 581-0393
email: generalmail@deltaassociates.com • web site: www.deltaassociates.com

TABL · UPDATED - CASH FLOW WITHOUT INFR UCTURE - INCLUDING COSTS OF CONVENTIONAL FINANCING

VALUE ANALYSIS: DISCOUNTED CASH FLOW
VALUE AT 1/99 EXCLUDING INFRASTRUCTURE COSTS
WEST GERMANTOWN DEVELOPMENT DISTRICT

		FY1 (1/98-12/98)	FY2 (1/99-12/99)	FY3 (1/00-12/00)	FY4 (1/01-12/01)	FY5 (1/02-12/02)	FY6 (1/03-12/03)	FY7 (1/04-12/04)	FY8 (1/05-12/05)	FY9 (1/06-12/06)	FY10 (1/07-12/07)	FY11 (1/08-12/08)	FY12 (1/09-12/09)	Total
I. Revenues														
Lot Revenues: [1]														
Single Family Lot Sales		$0	$15,855,820	$10,634,462	$10,953,495	$11,282,100	$11,620,563	$11,969,180	$12,328,256	$9,296,826	$7,473,741	$7,697,953	$4,460,002	$113,572,398
Townhouse Lot Sales		$0	$1,161,840	$1,196,695	$1,232,596	$1,269,574	$980,746	$0	$0	$0	$0	$0	$0	$5,841,451
MPDU Townhouse Lot Sales		$0	$0	$638,662	$0	$567,256	$0	$0	$0	$0	$0	$0	$0	$1,205,918
MPDU Condominium Lot Sales		$0	$0	$0	$568,218	$562,754	$0	$0	$0	$0	$0	$0	$0	$1,130,972
Total Revenues:		$0	$17,017,660	$12,469,819	$12,754,310	$13,681,685	$12,601,309	$11,969,180	$12,328,256	$9,296,826	$7,473,741	$7,697,953	$4,460,002	$121,750,739
II. Expenses [2]														
Hard Costs:														
Site Finishing		$12,211,177	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$12,211,177
Lot Finishing		$0	$4,907,950	$4,001,715	$3,870,439	$4,460,391	$3,656,350	$3,400,661	$3,502,681	$2,543,674	$1,962,379	$2,021,250	$1,171,062	$35,498,553
Subtotal:		$12,211,177	$4,907,950	$4,001,715	$3,870,439	$4,460,391	$3,656,350	$3,400,661	$3,502,681	$2,543,674	$1,962,379	$2,021,250	$1,171,062	$47,709,730
Soft Costs:														
Cost of Sales		$50,000	$764,742	$573,732	$535,681	$574,631	$529,255	$502,706	$517,787	$390,467	$313,897	$323,314	$187,320	$5,263,531
G & A		$732,671	$294,477	$240,103	$232,226	$267,623	$219,381	$204,040	$210,161	$152,620	$117,743	$121,275	$70,264	$2,862,584
Real Estate Taxes		$163,071	$232,128	$275,439	$287,864	$216,612	$174,768	$136,997	$97,047	$66,638	$41,816	$15,519	$0	$1,707,898
Interest Infrastructure Loan ($12,699,624)		$1,174,715	$1,174,715	$300,821	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,650,251
Interest Credit Line ($2,120,457)		$0	$196,142	$196,142	$0	$0	$0	$0	$0	$0	$0	$0	$0	$392,285
Subtotal:		$2,120,457	$2,662,205	$1,586,238	$1,055,771	$1,058,866	$923,404	$843,742	$824,995	$609,725	$473,455	$460,108	$257,584	$12,876,549
Loan Payoff		$0	$9,447,505	$5,372,575	$0	$0	$0	$0	$0	$0	$0	$0	$0	$14,820,081
Total Expenses:		$2,120,457	$17,017,660	$10,960,528	$4,926,210	$5,519,258	$4,579,754	$4,244,403	$4,327,676	$3,153,399	$2,435,834	$2,481,358	$1,428,646	$63,195,182
III. Net Cash Flow		$0	$0	$1,509,291	$7,828,099	$8,162,427	$8,021,555	$7,724,777	$8,000,580	$6,143,427	$5,037,906	$5,216,595	$3,031,356	$60,676,014
IV. Discount Rate [3] @ 15%		0.869565217	0.756143667	0.657516232	0.571753246	0.497176735	0.432327596	0.37593704	0.326901774	0.284262412	0.247184706	0.214943223	0.18690715	
V. Discounted Cash Flow		$0	$0	$992,383	$4,475,741	$4,058,169	$3,467,940	$2,904,030	$2,615,404	$1,746,345	$1,245,293	$1,121,272	$566,582	$23,193,159
													Say:	$23,200,000
													Per Acre:	$34,850
Loan Balance/YearEnd	$12,699,624	$12,699,624	$3,252,119	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Loan Balance Credit Line	$2,120,457	$2,120,457	$2,120,457	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	

1 See Revenue Projections on Summary of Sell-Out Pace Table.

2 Details of Expenses provided on Projected Development Costs Table. Excludes the requirement for developer to provide parklets.

3 See Discount Rate Discussion in Appendix H.

4 Conventional financing terms obtained from Market Survey conducted 6/98.

NOTE: PACE FIGURES UPDATED THROUGH 4/30/98 WITH HOUSING DATA REPORTS; NO OTHER UPDATES.

Source: Delta Associates, January, 1998.

july.xlsconvfincf

TABLE 21A -CASH FLOW WITH INFRASTRUCTURE - $12,831,177 - BOND FINANCING

VALUE AT 1/99 INCLUDING INFRASTRUCTURE COSTS
WEST GERMANTOWN DEVELOPMENT DISTRICT

	FY1 (1/98-12/98)	FY2 (1/99-12/99)	FY3 (1/00-12/00)	FY4 (1/01-12/01)	FY5 (1/02-12/02)	FY6 (1/03-12/03)	FY7 (1/04-12/04)	FY8 (1/05-12/05)	FY9 (1/06-12/06)	FY10 (1/07-12/07)	FY11 (1/08-12/08)	FY 12 (1/09-12/09)	Total
I. Revenues													
Lot Revenues: [1]													
Single Family Lot Sales	$0	$15,855,820	$10,634,462	$10,953,495	$11,282,100	$11,620,563	$11,969,180	$12,328,256	$9,296,826	$7,473,741	$7,697,953	$4,460,002	$113,572,398
Townhouse Lot Sales	$0	$1,161,840	$1,196,695	$1,232,596	$1,269,574	$980,746	$0	$0	$0	$0	$0	$0	$5,841,451
MPDU Townhouse Lot Sales	$0	$0	$638,662	$0	$567,256	$0	$0	$0	$0	$0	$0	$0	$1,205,918
MPDU Condominium Lot Sales	$0	$0	$0	$568,218	$562,754	$0	$0	$0	$0	$0	$0	$0	$1,130,972
Impact Tax Abatement[2]	$0	$408,464	$283,424	$283,424	$283,424	$270,920	$233,408	$233,408	$170,888	$133,376	$133,376	$75,024	$2,509,136
Total Revenues:	$0	$17,426,124	$12,753,243	$13,037,734	$13,965,109	$12,872,229	$12,202,588	$12,561,664	$9,467,714	$7,607,117	$7,831,329	$4,535,026	$124,259,875
II. Expenses [3]													
Hard Costs:													
Site Finishing	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Lot Finishing	$0	$4,907,950	$4,001,715	$3,870,439	$4,460,391	$3,656,350	$3,400,661	$3,502,681	$2,543,674	$1,962,379	$2,021,250	$1,171,062	$35,498,553
Subtotal:	$0	$4,907,950	$4,001,715	$3,870,439	$4,460,391	$3,656,350	$3,400,661	$3,502,681	$2,543,674	$1,962,379	$2,021,250	$1,171,062	$35,498,553
Soft Costs:													
Cost of Sales	$50,000	$764,742	$573,732	$535,681	$574,631	$529,255	$502,706	$517,787	$390,467	$313,897	$323,314	$187,320	$5,263,531
G & A	$769,871	$294,477	$240,103	$232,226	$267,623	$219,381	$204,040	$210,161	$152,620	$117,743	$121,275	$70,264	$2,899,784
Real Estate Taxes	$163,071	$232,128	$275,439	$287,864	$216,612	$174,768	$136,997	$97,047	$66,638	$41,816	$15,519	$0	$1,707,898
Tax Payments By Property	$0	$0	$222,932	$501,240	$421,475	$357,868	$165,950	$98,691	$54,577	$20,688	-$7,716	$0	$1,835,705
Credit Line Interest ($982,942 loan)	$0	$90,922	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$90,922
Credit Line Payoff	$0	$982,942	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$982,942
Subtotal:	$982,942	$2,365,211	$1,312,206	$1,557,011	$1,480,341	$1,281,272	$1,009,692	$923,686	$664,302	$494,143	$452,392	$257,584	$12,780,782
Total Expenses:	$982,942	$7,273,161	$5,313,921	$5,427,450	$5,940,733	$4,937,622	$4,410,353	$4,426,367	$3,207,976	$2,456,522	$2,473,642	$1,428,646	$48,279,335
III. Net Cash Flow	$0	$10,152,963	$7,439,321	$7,610,283	$8,024,376	$7,934,607	$7,792,235	$8,135,297	$6,259,738	$5,150,594	$5,357,687	$3,106,380	$75,980,541
IV. Discount Rate [4] @ 12%	0.892857143	0.797193878	0.711780248	0.635518078	0.567426856	0.506631121	0.452349215	0.403883228	0.360610025	0.321973237	0.287476104	0.256675093	
V. Discounted Cash Flow	$0	$8,093,880	$5,295,162	$4,836,473	$4,553,247	$4,019,919	$3,524,812	$3,285,710	$2,257,324	$1,658,354	$1,540,207	$797,330	$39,862,417
												Say,	$39,900,000
										Indicated Price Per Acre:			$59,936

[1] See Revenue Projections on Summary of Sell-Out Pace Table.

[2] End user builder will be exempt from payment of impact tax per lot. Therefore, land pricing is likely to reflect this amount dollar for dollar.

[3] Details of Expenses provided on Projected Development Costs Table.

[4] See Discount Rate Discussion in Appendix H.

NOTE: PACE FIGURES UPDATED THROUGH 4/30/98 WITH HOUSING DATA REPORTS; NO OTHER UPDATES.
Source: Delta Associates, January, 1998.

july.xlsbond 12cf

Resolution No.: 14-957
Introduced: July 10, 2001
Adopted: July 17, 2001

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: To supplement and amend Resolution No. 13-1135 adopted by the County Council of Montgomery County, Maryland on January 13, 1998 and Resolution No. 13-1398 adopted by the County Council of Montgomery County, Maryland on August 4, 1998, in each case pursuant to and in accordance with Chapters 14 and 20A of the 1994 Montgomery County Code, as amended (collectively, the "Acts"), to (1) acknowledge and confirm that the County Executive may grant to certain owners of the County's special obligation bonds the right to be paid from the West Germantown Development District Special Fund on each date on which principal of, premium, if any, and interest on the bonds is due and payable, prior to the other owners of the bonds, (2) amend Exhibit E to Resolution No. 13-1135 and Exhibit B to Resolution 13-1398 to change the order of priority for financing construction of the infrastructure improvements listed in those Exhibits, if cost savings are realized in the construction of the infrastructure improvements listed on Exhibit D to Resolution No. 13-1135 and Exhibit A to Resolution No. 13-1398 and (3) otherwise amend Resolution No. 13-1398 as provided in this Resolution.

Background

1. Pursuant to Chapter 20A of the 1994 Montgomery County Code, as amended (the "State Act") and Chapter 14 of the 1994 Montgomery County Code, as amended (the "County Act" and, together with the State Act, the "Acts"), on January 13, 1998, the County Council adopted Resolution No. 13-1135 ("Resolution No. 13-1135") which, inter alia,

(a) created the West Germantown Development District (the "District"),

(b) provided for the imposition of a benefit assessment on all undeveloped real property located in the District (the "Special Assessments") and the levy of an ad valorem tax on all real property located in the District (the "Special Taxes" and, together with the Special Assessments, the "Special Taxes and Assessments") at such rates as shall be sufficient to pay the principal of, interest on and any redemption premium on any special obligation bonds issued with respect to the District and to replenish any related debt service reserve fund,

(c) created the West Germantown Development District Special Fund (the "Special Fund"),

(d) required that the proceeds from the Special Taxes and Assessments be paid into the Special Fund and that all bonds authorized to be issued for the District must be paid from the Special Fund, together with any other assets or revenues of the District pledged to secure their repayment, and

(e) listed the specific infrastructure improvements to be financed on Exhibit D thereto and, to the extent that any cost savings are realized in the construction of any of the infrastructure improvements listed on Exhibit D, provided that those cost savings may be applied to the construction of additional infrastructure improvements listed on Exhibit E thereto, in the order listed on Exhibit E.

2. Pursuant to the Acts, the County Council adopted Resolution No. 13-1398 ("Resolution No. 13-1398" and, together with Resolution No. 13-1135, the "Resolutions") which, inter alia,

   (a) implemented the authority conferred upon it by the Acts to authorize the issuance of bonds in the aggregate principal amount not to exceed $20,000,000 (the "Bonds"), at one time or from time to time in one or more series as determined by the County Executive,

   (b) provided that the Bonds are payable from the Special Taxes and Assessments on deposit in the Special Fund,

   (c) authorized the County Executive to specify, prescribe and determine certain matters with respect to the sale, security, issuance, delivery, and payment of or for the Bonds, including, without limitation, arranging for insurance or any other financial guaranty of the Bonds, and

   (d) provided that the infrastructure improvements that will be financed with the Bonds are those projects described on Exhibit A thereto and, to the extent that any cost savings are realized in the construction of any of the infrastructure improvements listed on Exhibit A, those cost savings may be applied to the construction of additional infrastructure improvements listed on Exhibit B thereto, in the order listed on Exhibit B.

3. The Director of Finance has indicated that, (a) based upon existing development in the District, a portion of the Bonds may be eligible for bond insurance, thereby carrying an investment grade rating, provided that the owners of such Bonds be granted the right to be paid from the Special Fund, on each date on which principal of, premium, if any, and interest on the Bonds is due and payable, prior to the owners of the other Bonds, and (b) by obtaining such a rating, the overall interest cost on the Bonds can be reduced, thereby reducing the Special Taxes and Assessments required to be levied in the District.

4. The Director of Finance has agreed, at the request of the developers in the District, to amend the order of priority for financing construction of the infrastructure improvements listed on Exhibit E to Resolution No. 13-1135 and Exhibit B to Resolution No. 13-1398, if cost savings are realized in the construction of the infrastructure improvements listed on Exhibit D to Resolution No. 13-1135 and Exhibit A to Resolution No. 13-1398.

5. The County Council wishes to supplement and amend the provisions of the Resolutions to (a) acknowledge and confirm that the County Executive may grant to certain owners of the Bonds the right to be paid from the Special Fund, on each date on which principal of, premium, if any, and interest on the Bonds is due and payable, prior to the owners of the other Bonds, if determined by the County Executive to be necessary or desirable in connection with the issuance and sale of the Bonds, (b) amend the order of priority of financing the infrastructure improvements listed on Exhibit E to Resolution No. 13-1135 and Exhibit B to Resolution No. 13-1398, and (c) to otherwise amend Resolution No. 13-1398 as provided herein.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

SECTION 1: The Resolutions are hereby supplemented and amended to acknowledge and confirm that the County Executive, by executive order or otherwise, if determined by the County Executive to be necessary or desirable in connection with the issuance and sale of the Bonds, may grant to certain owners of the Bonds a senior lien on and a senior priority interest in the Special Fund, which lien and interest shall be senior to the rights of all other owners of the Bonds, such that the principal of, premium, if any, and interest on such senior lien Bonds shall be paid from the Special Fund on each date on which such principal of, premium, if any, and interest is due and payable, prior to the payment of the principal of, premium, if any, and interest on all of the other Bonds.

SECTION 2: All references to "1998 Bonds" in Resolution No. 13-1398 are hereby amended to be "Bonds."

SECTION 3: Exhibit E to Resolution No. 13-1135 and Exhibit B to Resolution No. 13-1398 are each hereby amended in accordance with Exhibit A attached to this Resolution, which Exhibit A is incorporated in this Resolution as if fully set out in this Resolution. If costs savings are realized in the construction of the infrastructure improvements listed on Exhibit D to Resolution No. 13-1135 and Exhibit A to Resolution No. 13-1398, such cost savings may be applied to the construction of the infrastructure improvements listed on Exhibit A to this Resolution, in the order of priority shown on Exhibit A to this Resolution.

SECTION 4: All other terms of the Resolutions remain unchanged and are hereby ratified and confirmed in all respects.

This is a correct copy of Council action.

Mary A. Edgar

Mary A. Edgar, CMC
Clerk to the Council

EXHIBIT A

DISTRICT-FUNDED IMPROVEMENTS IF COST SAVINGS RESULT

(IN ORDER OF PRIORITY)

DESCRIPTION	ESTIMATED COST	PERCENT FUNDED BY DISTRICT (IF FUNDED)
Clearing, Grading for Force Main Installation	$ 615,445	100%
18" Outfall Sewer	$ 376,104	100%
15" Outfall Sewer	$ 530,480	100%
12" Outfall Sewer	$ 488,526	100%
Clopper Road - Acceleration, Deceleration and Left Turn Lane onto A-297	$ 121,161	100%
Clopper Road - Left Turn and Bypass Lane at Hopkins Road	$ 49,818	100%
Great Seneca Highway (S) - Right Turn Lane to West Clopper Road	$ 100,000	100%
Great Seneca Highway (S) - Acceleration Lane from Eastbound A-297	$ 32,715	100%
Great Seneca Highway (N) - Second Left Turn Lane to West A-297	$ 79,626	70%
Great Seneca Highway (S) - Second Right Turn Lane to West A-297	$ 74,731	70%
Hoyles Mill Road - Richter Farm Road to Schaeffer Road	$ 283,012	100%
Kings Crossing Boulevard - A-297 to Park Property	$ 675,305	100%
Kings Crossing Boulevard Blasting - A-297 to Park Property	$ 90,000	100%
TOTAL	**$ 3,516,923**	

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

DEFINITIONS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Terms used but not defined herein shall have the meanings set forth in the Indenture, the Implementation Agreement and the Bond Resolution.

"Acquisition Account" means, individually, the 2002A Acquisition Account or the 2002B Acquisition Account and "Acquisition Accounts" means, collectively, both of such accounts.

"Acts" means, collectively, the County Act and the State Act.

"Actual Cost" means the substantiated costs with respect to the Improvements, which costs generally include (i) the actual cost of all materials and labor to grade and clear the site and to construct the Improvements; (ii) costs of rental of leased machinery and equipment needed to construct the Improvements; (iii) field engineering, geotechnical services, field inspections, and design amendments required by County agencies or field conditions after permit issuance; (iv) all permitting, inspection and reforestation fees; (v) the cost of a construction supervisor hired by the Developers in overseeing the construction or acquisition of the Improvements; and (vi) other expenses as may be reasonably necessary or incident to the construction and acquisition of the Improvement, subject to the approval of the County Representative.

"Additional Bonds" means any bonds issued by the County on a parity with any then Outstanding 2002A Bonds pursuant to the Indenture.

"Additional Improvements" means the public infrastructure improvements described in Exhibit B to the Bond Resolution.

"Administrative Expenses" means any or all of the following costs directly related to the administration of the District and the discharge of the duties of the County and the Trustee under the Indenture: the fees and expenses of the Trustee; the expenses of the County in carrying out its duties under the Indenture, including, but not limited to, levying and collecting the Special Assessments and the Special Taxes, complying with arbitrage rebate requirements and obligated persons disclosure requirements associated with applicable federal and state tax and securities law, including the fees of any professionals retained by the County to provide services for such purposes; the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund relating to any Series of Bonds); any amounts payable to the Bond Insurer pursuant to the Indenture for reimbursement of expenses and indemnification; an allocable share of the salaries of County personnel directly related thereto, and a proportionate amount of County general administrative overhead related thereto; and all other costs and expenses of the County or the Trustee incurred in connection with the discharge of their respective duties under the Indenture and, in the case of the County, in any way related to the administration of the District.

"Administrator" means any person selected by the County to perform any and all of the tasks of the County Representative under the Indenture and any other tasks set forth in the Administration Agreement.

"Administration Agreement" means any agreement between the County and an Administrator, as any such agreement may be amended or supplemented from time to time.

"Affiliate" means any entity owned, controlled or under common ownership or control by or with, as applicable, any of the Developers and includes all general partners of any entity which is a partnership or members of any entity which is a limited liability company. Control shall mean ownership of 50% or more of the voting power of or ownership interest in the respective entity.

"Annual Debt Service" means, for each Bond Year during which and after the calculation is made, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund payments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund payment due in such Bond Year).

"Arcola" means Arcola Investment Associates, a Virginia general partnership, its successors and assigns.

"Artery" means Artery Hoyles Mill, LLC, a Maryland limited liability company, its successors and assigns.

"Authorized Denomination" means (1) with respect to the 2002A Bonds, $5,000 and any integral multiple thereof; (2) with respect to the 2002B Bonds, $100,000 or any integral multiple of $5,000 in excess thereof; provided that if the 2002B Bonds are rated in a Rating Category not lower than the minimum investment grade rating by a Qualified Rating Agency or are insured by a municipal bond insurer the claims-paying ability of which is rated "A" or higher by a Qualified Rating Agency, then the 2002B Bonds shall be issuable in Authorized Denominations of $5,000 and integral multiples thereof; and (3) with respect to any Additional Bonds, such Authorized Denomination as shall be set forth in the Supplemental Indenture authorizing the issuance of such Additional Bonds.

"Authorized Officer of the County" means the Director of Finance or any other County officer designated by the County Executive in writing to act on behalf of the County under the Indenture.

"Balloon Indebtedness" means indebtedness of which 25% or more of the principal amount thereof comes or may come due in any one Fiscal Year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof.

"Bank" means any commercial bank or other financial institution from which any Developer borrows funds to finance the cost of construction of the Improvements, including Ohio Savings Bank, or which issues a Tax Liability Letter of Credit on behalf of an account party as provided in the Implementation Agreement and which is well capitalized and which meets the reasonable approval of the County.

"Bond Account" means, individually, the 2002A Bond Account or the 2002B Bond Account and "Bond Accounts" means, collectively, both of such accounts.

"Bond Counsel" means any attorney or firm of attorneys acceptable to the County and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Documents" means the Indenture, the Implementation Agreement and any other document executed and delivered by the County in connection with the issuance of the Bonds.

"Bond Fund" means the fund by that name established by the Indenture.

"Bond Insurance Policy" means the financial guaranty insurance policy or policies issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Insured Bonds.

"Bond Insurer" means Asset Guaranty Insurance Company, a corporation organized under the laws of the State of New York, its successors and assigns.

"Bond Register" means the books for the registration and transfer of Bonds maintained by the Trustee under the Indenture.

"Bond Resolution" means Resolution No. 13-1398 adopted by the County Council on August 4, 1998, as amended by Resolution No. 14-957 adopted by the County Council on July 17, 2001.

"Bond Year" means the one-year period beginning on July 1 in each year and ending on the day prior to July 1 in the following year, except that the first Bond Year shall begin on the Closing Date for the 2002 Bonds and end on June 30, 2002.

"Bondholder" or "holder" or "owner" means any person who shall be the registered owner of any Outstanding Bond.

"Bonds" means the 2002 Bonds at any time Outstanding under the Indenture and, if the context requires, any Additional Bonds at any time Outstanding under the Indenture or any Supplemental Indenture.

"Business Day" means any day, other than a Saturday or Sunday or a day on which commercial banks in New York, New York, or the corporate trust office of the Trustee located in Richmond, Virginia, are required or authorized by law to close or a day on which the New York Stock Exchange is closed.

"Capitalized Interest Account" means, individually, the 2002A Capitalized Interest Account or the 2002B Capitalized Interest Account and "Capitalized Interest Accounts" means, collectively, both of such accounts.

"Capitalized Interest Period" means the period from the Closing Date to and including July 1, 2002, and as such period may be extended pursuant to the Indenture as a result of the deposit of additional amounts to the Capitalized Interest Accounts pursuant to the Indenture.

"Closing Date" means the date upon which there is a physical delivery of the 2002 Bonds in exchange for the amount representing the purchase price of the 2002 Bonds.

"Code" means the United States Internal Revenue Code of 1986, as amended, and the Regulations thereunder, or any successor statute, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the Treasury Department or Internal Revenue Service of the United States.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the County and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, bond printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee including its first annual administration fee, initial fees and charges of the Administrator, if any, including any fees for the first Bond Year, expenses incurred by the County in connection with the issuance of the Bonds and the establishment of the District, special tax consultant fees and expenses, appraiser's fee, preliminary engineering fees and expenses, bond (underwriter's) discount, legal fees and charges, including bond counsel, underwriter's counsel, Trustee's counsel, financial advisor's fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established by the Indenture.

"County" means Montgomery County, Maryland and any successor thereto.

"County Act" means Chapter 14 of the 1994 Montgomery County Code, as amended, and any acts amendatory or supplementary thereto.

"County Representative" means the Director of Finance, the person or persons appointed by the Director of Finance to perform the tasks of the County Representative under the Indenture or a designee of such person.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds (including mandatory sinking fund payments) during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Defeasance Securities" means nonredeemable direct general obligations of the United States of America to which its full faith and credit is pledged (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and nonredeemable obligations, the payment of principal and interest on which are directly or indirectly guaranteed by the full faith and credit of the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Indenture.

“Developer” means, individually, Arcola or Artery and “Developers” means, collectively, Arcola and Artery.

“District” means the West Germantown Development District formed by the County under the Acts and the Formation Resolution.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any Event of Default specified in the Indenture and described under the caption “Defaults and Remedies”.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement that is acquired in accordance with applicable regulations under the Code), or (iii) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

“Federal Securities” means (i) obligations for which the United States of America has pledged its faith and credit for the payment of the principal and interest and (ii) obligations that a federal agency or a federal instrumentality has issued in accordance with an Act of Congress for which the full faith and credit of the United States of America are pledged.

“Final Acceptance” means with respect to each Improvement, that such Improvement has been completed in accordance with the approved Plans and Specifications submitted to the applicable County agency or the WSSC and that the County (or other public agency which owns the Improvement) has taken final action to accept such Improvement, as evidenced by a written statement to that effect.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Formation Resolution” means Resolution No.13-1135 adopted by the County Council on January 13, 1998 and approved by the County Executive, as amended by Resolution No. 14-957 adopted by the County Council on July 17, 2001.

“Implementation Agreement” means the Implementation Agreement, dated as of April, 1, 2002 by and between the County and the Implementation Parties, including any supplement to such agreement.

“Implementation Party” means, individually, Arcola, Artery or Woodcliffe or any permitted successor or assign thereto acting as an “Implementation Party” under the Implementation Agreement and “Implementation Parties” means, collectively, Arcola, Artery, Woodcliffe, and all permitted successors and assigns thereto acting as an “Implementation Parties” under the Implementation Agreement.

"Improvement Costs" means the aggregate dollar cost of (1) building, rebuilding, or renovating any Improvement, and acquiring any land, structure, real or personal property, right, right-of-way, franchise, easement, or interest; (2) machinery and equipment, including machinery and equipment needed to expand or enhance services in the District; (3) financing charges and interest before and during construction and, if the County Executive finds it advisable, for a limited period after completing construction; interest and reserves for principal and interest, including costs of municipal bond insurance and any other financial guaranty, and costs of issuance; (4) extensions, enlargements, additions, or improvements; (5) architectural, engineering, financial, and legal services; (6) plans, specifications, studies, surveys, and estimates of costs and revenues; (6) administrative expenses necessary or incident to deciding whether to proceed with any Improvement; and (8) any other expense necessary or incident to building, acquiring, or financing any Improvement.

"Improvement Fund" means the fund by that name established by the Indenture.

"Improvement" means any public infrastructure improvement to be acquired by the County and financed with the proceeds of the 2002 Bonds, and may be a Primary Improvement or an Additional Improvement.

"Indenture" means the Indenture of Trust dated as of April 1, 2002, between the County and the Trustee, as it may be amended or supplemented from time to time by any Supplemental Indenture adopted pursuant to the provisions of the Indenture.

"Independent Consultant" means any consultant or firm of consultants appointed by the County or the County Representative who (i) has experience in matters relating to the administration of development districts such as the District, the issuance of bonds such as the Bonds, or the appraisal of real property, (ii) is not an officer or employee of the County, and (iii) does not have any interest, direct or indirect, with or in any property in the District or with or in any owner of such property. The Administrator may be an Independent Consultant.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Service "Municipal and Government, " 99 Church Street, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the Authorized Officer of the County may designate in a certificate delivered to the Trustee.

"Insurance Trustee" means The Bank of New York.

"Insured Bonds" means the 2002A Bonds and any other Bonds insured by a Bond Insurance Policy issued by the Bond Insurer.

"Interest Payment Dates" means January 1 and July 1 of each year, commencing July 1, 2002.

"Investment Instructions" means the investment instructions delivered by the County from time to time to, and acknowledged and accepted by, the Trustee.

"Majority Holders" means the holders of at least 51% of the aggregate principal amount of the Bonds or any Series of Bonds Outstanding, as applicable.

"Maryland Code" means the Annotated Code of Maryland, as amended.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year during which and after the calculation is made through the final maturity date of any Bonds Outstanding on the date such calculation is made, plus any Additional Bonds proposed to be issued pursuant to the Indenture, as applicable.

"Notice Holder" means any person who provides (i) a written request to the Trustee for notices under the Indenture to be given to such person at the address designated in such writing and (ii) evidence reasonably satisfactory to the Trustee of such person's beneficial ownership of $1,000,000 or more in aggregate principal amount of the Bonds. The Trustee may, in its sole discretion, but shall not be obligated, to determine that any person no longer qualifies as a Notice Holder due to such person's beneficial ownership of less than $1,000,000 in aggregate principal amount of the Bonds; provided that each of the initial Notice Holders shall continue to be a Notice Holder for so long as such person shall be the owner or beneficial owner of any of the Bonds.

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds issued and delivered by the County under the Indenture except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds paid within the meaning of the Indenture; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the County pursuant to the Indenture or any Supplemental Indenture.

"Payment Request" (a) when used with respect to the Indenture, means a request for disbursement from the Acquisition Account made by the County in accordance the Indenture, which Payment Request shall be substantially in the form attached to the Indenture and (b) when used with respect to the Implementation Agreement, means a document, substantially in the form attached to the Implementation Agreement, to be used by the Implementation Parties in requesting payment of a Purchase Price.

"Permitted Investments" means amounts deposited in the following, but only to the extent that the same are acquired at Fair Market Value:

(i) with respect to amounts in the Bond Fund, the Reserve Fund and the Special Fund, any of the following investments to the extent permitted (as determined by the County) pursuant to the County Act and which Permitted Investments as in effect on the Closing Date are as follows:

(a) the bonds, stock or other valid obligations of the State or of any county, municipal or public corporation, special district and/or political subdivision of the State which are rated in the highest rating category by the Qualified Rating Agencies (without regard to any refinement or gradation of rating categories by numerical modifier or otherwise); and

(b) the bonds or other obligations of the United States of America, United States Treasury Certificates, bonds of any public corporation or other body, guaranteed as to payment of principal and interest by the United States of America; and

(ii) with respect to Bond proceeds deposited in the Improvement Fund, the Costs of Issuance Fund and with respect to any other funds held by the Trustee under the Indenture, any of the following investments to the extent permitted (as determined by the County) pursuant to the County Act and which Permitted Investments as in effect on the Closing Date are as follows:

(a) Federal Securities;

(b) repurchase agreements, with the consent of the Bond Insurer, with a maturity not exceeding one year, represented by written agreement in commercially reasonable form (i) with any corporation or other entity that falls under the jurisdiction of the Bankruptcy Code provided that (A) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (B) the market value (marked to market daily) of the collateral is maintained at an amount equal to at least 102% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (C) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately, and (D) the repurchase securities are free and clear of any third-party lien or claim; and (ii) with financial institutions including the Trustee and its affiliates insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation ("SIPC") provided that (A) the requirements specified in clause (i)(A), (B), and (C) are met, (B) the Trustee has a perfected first priority security interest in the collateral and (C) the collateral is free and clear of third-party liens and, in the case of a SIPC broker, was not acquired pursuant to a repurchase agreement or reverse repurchase agreement;

(c) bonds, notes or other obligations rated in the highest letter and numerical rating category by a nationally recognized statistical rating organization as designated by the Securities and Exchange Commission issued by or on behalf of the State or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof or in any fund or trust that invests only in such securities;

(d) shares in money market mutual funds investing solely in Permitted Investments described in paragraph (ii)(a) or (b) above, which are registered and operating under the Investment Company Act of 1940, as amended and are rated in the highest rating category by a Qualified Rating Agency and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, including any such money market mutual funds of the Trustee and its affiliates; or

(e) commercial paper rated in the highest letter and numerical rating category by a nationally recognized statistical rating organization as designated by the Securities and Exchange Commission, provided that such commercial paper may not exceed five percent (5%) of the total investments made hereunder.

"Plans and Specifications" means the plans, specifications, schedules and related construction contracts for the Improvements approved pursuant to the Montgomery County Code and applicable standards and directives of the County, the General Conditions and Standard Specifications of the WSSC or the applicable laws, standards and directives of the other entity that will own, operate or maintain the Improvements when completed and acquired.

"Primary Improvements" means the public infrastructure improvements described in Exhibit A to the Bond Resolution.

"Principal Office" means the principal corporate trust office of the Trustee set forth in the Indenture or such other or additional offices as may be designated by the Trustee.

"Purchase Price" means the amount paid by the County for an Improvement determined in accordance with the Implementation Agreement, being an amount equal to the Actual Cost of such Improvement, which amount shall not exceed in any event the estimated cost for such Improvement, indicated in the Implementation Agreement, but subject to the limitations and reductions provided for therein. The amount of the Purchase Price may be amended from time to time in a manner consistent with the Resolutions and as further provided in the Implementation Agreement.

"Qualified Rating Agency" means Fitch Ratings, Moody's Investors Service, Inc., or Standard and Poor's Ratings Group, a Division of the McGraw-Hill Companies, Inc.

"Rebate Fund" means the fund by that name established by the Indenture.

"Record Date" means the 15th day of the month preceding the month of the applicable Interest Payment Date, whether or not such day is a Business Day.

"Reserve Account" means, individually, the 2002A Reserve Account and the 2002B Reserve Account and "Reserve Accounts" means, collectively, both of such accounts.

"Reserve Fund" means the fund by that name established pursuant to the Indenture, consisting of the 2002A Reserve Account and the 2002B Reserve Account.

"Reserve Requirement" means, for any Series of Bonds, as of any date of calculation, an amount equal to the lesser of (i) Maximum Annual Debt Service for such Series as of the date of determination, (ii) one hundred twenty-five percent (125 %) of average Annual Debt Service for such Series as of the date of determination, or (iii) ten percent (10%) of the original principal amount of the Bonds of such Series issued under the Indenture.

"Resolutions" means, collectively, the Bond Resolution and the Formation Resolution.

"Retainage" means moneys withheld at the time of Substantial Completion of each Improvement in an amount equal to 5% of the total direct construction costs related to the Purchase Price of each Improvement to be paid under the Implementation Agreement, plus the estimated cost to complete said Improvement, unless otherwise reduced upon approval of the County pursuant to the Implementation Agreement.

"Revenue Requirement" means for any taxable year, (i) when determining the Special Assessment Rate, (a) the amount required in any taxable year to pay (1) debt service and other periodic costs on the Bonds or other indebtedness of the District, (2) a pro rata share of the Administrative Expenses to be incurred in the taxable year or incurred in any previous taxable year and not paid by the District, such pro rata share to be based on the amount of the annual Special Assessment Revenues divided by the aggregate annual Special Assessment Revenues and Special Tax revenues, and (3) the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash), less (b) (1) any credits available under the Indenture, such as investment earnings on any account balances and capitalized interest available to pay debt service, which may be offset by delinquencies in payment of the Special Assessments (whether estimated or actual) and any replenishment of the reserve fund, and (2) Special Taxes available to be applied to the Revenue Requirement; and (ii) when determining the Special Tax Rate, (a) the amount required in any taxable year to pay (1) debt service and other periodic costs on the Bonds or other indebtedness of the District, (2) a pro rata share of the Administrative Expenses to be incurred in the taxable year or incurred in any previous taxable year and not paid by the District, such pro rata share to be based on the amount of annual Special Tax revenues divided by the aggregate annual Special Assessment Revenues and Special Tax revenues, (3) any amount required to replenish any reserve fund established for the Bonds, (4) an amount equal to the estimated delinquencies expected in payment of the Special Tax not otherwise taken into account in a replenishment of the reserve fund, and (5) the costs of remarketing, credit enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash), less (b) any credits available under the Indenture, such as investment earnings on any account balances and capitalized interest available to pay debt service.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax: (516) 227-4039 or -4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax: (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Telephone: (215) 496-5058, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addressee and/or such other securities depositories as the County may designate in writing to the Trustee.

"Senior Bonds" means the 2002A Bonds and any Series of Additional Bonds issued under the Indenture.

"Series" means any series of Bonds issued under the Indenture.

"Special Assessment Escrow Fund" means the Special Assessment Escrow Fund established and maintained by the County from time to time in accordance with the Implementation Agreement.

"Special Assessments" means the special assessments imposed within the District pursuant to the Acts and the Resolutions as more particularly described in the Bond Resolution.

"Special Fund" means the fund by that name established by the Formation Resolution and otherwise described in the Indenture.

"Special Revenues" means the proceeds of the Special Assessments and the Special Taxes, including any scheduled payments thereof, interest thereon and proceeds of the redemption or sale of property sold at tax sale, including any penalties and interest thereon. "Special Revenues" does not include any administrative expenses collected by the County in connection with delinquent Special Assessments or Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Acts and the Resolutions as more particularly described in the Bond Resolution.

"State" means the State of Maryland.

"State Act" means Chapter 20A of the 1994 Montgomery County Code, as amended, and any acts amendatory or supplementary thereto.

"Substantial Completion" means with respect to each Improvement, that such Improvement has been completed to a point of being operable (if connected to a working system) or having general usage for the purposes to which it is designed, which shall mean the following with respect to the particular type of Improvement:

(i) With respect to roads and transportation Improvements, the work shall be completed to a base course, with curbs and gutters installed, adjacent sidewalks poured or paved, and interim stormwater management facilities in functioning condition; with the following items excluded: the final landscaping, including seeding, street lights and street trees, traffic signals, the final stormwater management facilities and the final top coat shall not be required to be installed; and

(ii) for the park facilities, for the initial phase of completion, all rough grading shall have occurred and for the final stage of completion, all paving for paths and the tennis courts shall have been completed, all park equipment shall have been in-stalled, all signage and fencing shall be in place and all fields shall have been seeded (grass need not be actually growing or decorative planting completed); and

(iii) for sewer and water facilities, the segment of the facility shall have been completed in accordance with the approved Plans and Specifications.

"Substantial Completion Cost Estimate" means a statement indicating the estimated cost to fully complete an Improvement, together with a projected completion date.

"Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the County and the Trustee and which indenture, agreement or other instrument is amendatory of or supplemental to the Indenture, but only if and to the extent that such indenture, agreement or other instrument is specifically authorized under the Indenture.

"Tax Certificate" means the Tax Certificate and Covenants dated the Closing Date delivered by the County and the Developers.

"Tax Liability Letter of Credit" means a letter of credit delivered to the County by Arcola or Toll LP and described under the caption "THE DISTRICT -- The Implementation Agreement -- The Tax Liability Letters of Credit."

"Toll LP" means Toll MD II, Limited Partnership, a limited purpose entity controlled by Toll Brothers, Inc.

"Trustee" means Wachovia Bank, National Association, Richmond, Virginia, in its capacity as trustee with the trust duties and powers herein provided, its successors and assigns, and any other banking corporation or association which may at any time be substituted in its place, as provided in the Indenture.

"Underwriter" means Legg Mason Wood Walker, Inc.

"Variable Rate Indebtedness" means indebtedness which does not bear a fixed rate of interest to maturity.

“Woodcliffe” means Woodcliffe Development District, LLC., a Maryland limited liability company (“Woodcliffe”), its successors and assigns.

“WSSC” means the Washington Suburban Sanitary Commission, a public agency of the State of Maryland.

“2002 Bonds” means, collectively, the 2002A Bonds and the 2002B Bonds.

“2002A Acquisition Account” means the subaccount within the Improvement Fund by that name established by the Indenture.

“2002A Bond Account” means the subaccount within the Bond Fund by that name established by the Indenture.

“2002A Bonds” means the Montgomery County, Maryland Special Obligation Bonds (West Germantown Development District) Senior Series 2002A, at any time Outstanding under the Indenture.

“2002A Capitalized Interest Account” means the subaccount within the Improvement Fund by that name established by the Indenture.

“2002A Reserve Account” means the subaccount within the Reserve Fund by that name established by the Indenture.

“2002B Acquisition Account” means the subaccount within the Improvement Fund by that name established by the Indenture.

“2002B Bond Account” means the subaccount within the Bond Fund by that name established by the Indenture.

“2002B Bonds” means the Montgomery County, Maryland Special Obligation Bonds (West Germantown Development District) Junior Series 2002B, at any time Outstanding under the Indenture.

“2002B Capitalized Interest Account” means the subaccount within the Improvement Fund by that name established by the Indenture.

“2002B Reserve Account” means the subaccount within the Reserve Fund by that name established by the Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This is not a complete recital of the terms of the Indenture and reference should be made to the Indenture for a complete statement of its provisions.

Additional Bonds

So long as no Event of Default has occurred and is continuing, the County may issue from time to time Additional Bonds under and secured by the Indenture on a parity with the 2002A Bonds, subject to the conditions set forth below, for the purpose of (i) refunding or advance refunding any Outstanding Bonds or (ii) obtaining funds necessary to finance or refinance the completion of the Improvements. The Trustee will authenticate and deliver the Additional Bonds upon the receipt by the Trustee of:

(i) a counterpart of the applicable Supplemental Indenture authorizing the issuance of such series of Additional Bonds;

(ii) a certified copy of the resolution of the County Council of the Issuer authorizing the issuance of such Additional Bonds;

(iii) a request and authorization from the County to the Trustee (A) to authenticate and deliver such Additional Bonds to or upon the order of the purchaser(s) designated therein upon payment to the Trustee for the account of the County, of a sum specified therein and (B) to deposit the proceeds of the sale of such Additional Bonds and other moneys as specified in the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(iv) an opinion of Bond Counsel to the effect that (A) the Supplemental Indenture has been duly executed by the County and constitutes the valid and binding obligations of the County enforceable against the County in accordance with its terms, (B) the Additional Bonds have been duly and validly authorized and issued by the County and constitute the valid and binding limited obligations of the County enforceable against the County in accordance with their terms, and (C) the issuance of such Additional Bonds will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any tax-exempt Bonds theretofore issued. The opinion of Bond Counsel may be qualified as to such matters as are acceptable to the County and the Trustee, and include customary exceptions as to bankruptcy, insolvency and other laws affecting creditors' rights generally, and customary exceptions as to principles of equity;

(v) moneys or securities authorized for the investment of any reserve fund in an amount equal to the amount, if any, required to make the amount on deposit in such reserve fund equal to the reserve requirement for such Additional Bonds;

(vi) either (A) the assessed value of all parcels of real property in the District subject to the levy of the Special Taxes and Special Assessments and not delinquent in the payment of any Special Taxes and Special Assessments then due and owing as of the immediately preceding January 1 shall be at least 20 times the sum of: (I) the aggregate principal amount of all Bonds then Outstanding, less the principal amount of any Outstanding Bonds that will not be Outstanding upon the issuance of such Additional Bonds and (II) the aggregate principal amount of the Series of Additional Bonds proposed to be issued or (B) if such Additional Bonds are issued for the purpose of refunding all or any portion of the Outstanding Senior Bonds, Maximum Annual Debt Service is not increased;

(vii) evidence satisfactory to Bond Counsel that the County Council has taken such actions, obtained such petitions and held such public hearings as may be required by the Acts for the issuance of such Additional Bonds; and

(viii) such other certificates, statements, receipts and documents as the Trustee or the County may require for the delivery of such Additional Bonds.

Notwithstanding the foregoing, the issuance of Additional Bonds which constitute Variable Rate Indebtedness or Balloon Indebtedness shall be subject to the prior approval of the Bond Insurer.

Upon receipt by the County of (i) a written request from any Holder of the 2002B Bonds to issue Additional Bonds in exchange for the outstanding Series 2002B Bonds, together with the written agreement of all of the Holders of the Series 2002B Bonds to tender their outstanding Series 2002B Bonds and accept delivery in exchange therefor of an equal principal amount of such Additional Bonds having the terms and provisions described in this paragraph, (ii) satisfactory written evidence that the assessed value requirements set forth in paragraph (vi) above can be met, and (iii) the written agreement from any Holder of the Series 2002B Bonds to pay all expenses incurred in connection with the issuance of such Additional Bonds, the County shall use its best efforts to issue Additional Bonds in accordance with the Indenture in exchange for all of the outstanding Series 2002B Bonds. Such Additional Bonds (A) shall be on a parity with, and shall be entitled to the same benefit and security of the Indenture, including (without limitation) the pledge of the Special Revenues made thereby, as the 2002A Bonds and any other series of Additional Bonds that may be issued from time to time as provided in the Indenture, (B) shall be subject to optional redemption prior to their stated maturity on and after January 1, 2012, as a whole on any date or in part on any Interest Payment Date, at the option of the County, at a redemption price (expressed as a percentage of the principal amount of the 2002B Bonds to be redeemed) equal to 101% and declining to par on and after January 1, 2014, and (C) shall be issued in the same principal amount, bear interest at the same rate, mature on the same date and, except as set forth in this paragraph, otherwise have the same terms and provisions as the outstanding Series 2002B Bonds.

Neither the County's agreement to issue Additional Bonds in accordance with the immediately succeeding paragraph nor its receipt of any of the items set forth above shall impair its right to otherwise issue Additional Bonds from time to time in accordance with the Indenture, including its right to issue Additional Bonds to refund all or any portion of the 2002B Bonds upon terms other than those set forth in the immediately succeeding paragraph.

Funds and Accounts

Creation of Funds and Accounts. The Indenture provides for the creation of the following funds and accounts: (1) an Improvement Fund, and therein a 2002A Acquisition Account, a 2002B Acquisition Account, a 2002A Capitalized Interest Account and a 2002B Capitalized Interest Account; (2) a Bond Fund and therein a 2002A Bond Account and a 2002B Bond Account; (3) a Reserve Fund and therein a 2002A Reserve Account and a 2002B Reserve Account; (4) a Costs of Issuance Fund; and (5) a Rebate Fund.

Improvement Fund. Pending disbursement, (i) amounts in the 2002A Acquisition Account and the 2002A Capitalized Interest Account shall be held in trust by the Trustee for the benefit of the holders of the 2002A Bonds and shall be subject to a lien solely in favor of the holders of the 2002A Bonds and (ii) amounts in the 2002B Acquisition Account and the 2002B Capitalized Interest Account shall be held in trust by the Trustee for the benefit of the holders of the 2002B Bonds and shall be subject to a lien solely in favor of the holders of the 2002B Bonds. Moneys in the 2002A Acquisition Account and the 2002B Acquisition Account shall be disbursed, except as otherwise provided below, solely for the payment of Improvement Costs. Moneys in the 2002A Capitalized Interest Account and the 2002B Capitalized Interest Account shall be disbursed solely for the payment of interest on the 2002A Bonds and the 2002B Bonds, respectively, during the Capitalized Interest Period as provided in the Indenture.

Acquisition Account. Disbursement from the Acquisition Accounts shall be made by the Trustee upon receipt of a fully executed Payment Request substantially in the form required by the Indenture. In requesting disbursements from the Acquisition Accounts, the County shall request disbursements from such Accounts on a pro rata basis, such that 73% of each disbursement is paid from the 2002A Acquisition Account and 27% of each disbursement is paid from the 2002B Acquisition Account. Interest earnings and profits from the investment of the 2002A Acquisition Account and the 2002B Acquisition Account shall be retained therein and used for the purposes of such account. The Trustee shall value the Acquisition Accounts (i) quarterly on each January 1, April 1, July 1, and October 1 and (ii) at any time upon the request of the County Representative.

If the County Representative determines that amounts then on deposit in the Acquisition Accounts of the Improvement Fund are not expected to be disbursed for purposes of the Improvement Fund due to the termination of the Implementation Agreement following the occurrence of an event of default thereunder or by mutual consent of the parties, the County shall either: (A) if the County determines that it does not intend to pursue the completion of the Improvements, such that, in the opinion of the County Representative, it is unlikely that the amounts in the Acquisition Accounts will ever be expended for the purposes of such accounts, the County Representative shall file a certificate with the Trustee to that effect and which identifies the amounts then on deposit in the Acquisition Accounts that are not expected to be used for the purposes of such accounts (including, but not limited to, any amounts due, but unpaid, under the Implementation Agreement) and the Trustee, upon receipt of such certificate, shall transfer the amounts identified therein as follows: (i) such amounts on deposit in the 2002A Acquisition Account shall be transferred to the 2002A Bond Fund (A) to be used to pay Debt Service on the 2002A Bonds on the next Interest Payment Date or (B) to the extent such amounts in the 2002A Acquisition Account are equal to or exceed $100,000 and if so directed in such certificate, to be used to pay the redemption price of the 2002A Bonds pursuant to the Indenture, provided that if the next succeeding Interest Payment Date is not within ninety days, the County shall take the actions set forth in the Tax Certificate and (ii) such amounts on deposit in the 2002B Acquisition Account shall be transferred to the 2002B Bond Fund (A) to be used to pay Debt Service on the 2002B Bonds on the next Interest Payment Date or (B) to the extent such amounts in the 2002B Acquisition Account are equal to or exceeds $100,000 and if so directed in such certificate, to be used to pay the redemption price of the 2002B Bonds pursuant to the Indenture; provided that if the next succeeding Interest Payment Date is not within ninety days, the County shall take the actions set forth in the Tax Certificate; or (B) if the County determines that it intends to pursue the completion of the Improvements, the County Representative shall give written notice to the Trustee of its election to do so and the Trustee shall disburse amounts in the 2002A Acquisition Account and the 2002B Acquisition Account to the County or other designated payee in accordance with Payment Requests submitted pursuant to the Indenture. In making any determination required above, the County Representative may conclusively rely upon a certificate of the Developer.

Upon the filing with the Trustee of a certificate by the County Representative stating that the Improvements have been completed and that all costs of the Improvements have been paid, or that any such costs are not required to be paid from the Acquisition Accounts of the Improvement Fund, the Trustee shall transfer the amount, if any, remaining in the Acquisition Accounts as follows: (i) amounts on deposit in the 2002A Acquisition Account shall be transferred to the 2002A Bond Fund for application (A) to the payment of interest on the 2002A Bonds (in which case such amounts shall be deemed to be a credit available under the Indenture for purposes of determining the "Annual Revenue Requirement" and the "Special Tax Requirement" under the Bond Resolution) or (B) to the extent such remaining amounts are equal to or more than $100,000, to the payment of the redemption price of the 2002A Bonds, in accordance with the Indenture and (ii) amounts on deposit in the 2002B Acquisition Account shall be transferred to the 2002B Bond Fund for application (A) to the payment of interest on the 2002B Bonds (in which case such amounts shall be deemed to be a credit available under the Indenture for purposes of determining the "Annual Revenue Requirement" and the "Special Tax Requirement" under the Bond Resolution) or (B) to the extent such remaining amounts are equal to or more than $100,000, to the payment of the redemption price of the 2002B Bonds, in accordance with the Indenture.

Capitalized Interest Accounts. Moneys in the 2002A Capitalized Interest Account shall be transferred to the 2002A Bond Account on each Interest Payment Date in an amount equal to the amount necessary, when added to available amounts on deposit in the 2002A Bond Account, to pay interest on the 2002A Bonds on such Interest Payment Date. Moneys in the 2002A Capitalized Interest Account shall be used exclusively for the payment of interest on the 2002A Bonds during the Capitalized Interest Period. Following the Capitalized Interest Period, the Trustee, upon receipt of a certificate of the County Representative, shall transfer amounts remaining on deposit in the 2002A Capitalized Interest Account to the 2002A Acquisition Account for application to the payment of Improvement Costs pursuant to the Indenture, or in the alternative, to the 2002A Bond Account for application to the payment of interest on the 2002A Bonds on the next Interest Payment Date.

Moneys in the 2002B Capitalized Interest Account shall be transferred to the 2002B Bond Account on each Interest Payment Date in an amount equal to the amount necessary, when added to available amounts on deposit in the 2002B Bond Account, to pay interest on the 2002A Bonds on such Interest Payment Date. Moneys in the 2002B Capitalized Interest Account shall be used exclusively for the payment of interest on the 2002B Bonds during the Capitalized Interest Period. Following the Capitalized Interest Period, the Trustee, upon receipt of a certificate of the County Representative, shall transfer amounts remaining on deposit in the 2002B Capitalized Interest Account to the 2002B Acquisition Account for application to the payment of Improvement Costs pursuant to the Indenture, or in the alternative, to the 2002B Bond Account for application to the payment of interest on the 2002B Bonds on the next Interest Payment Date.

Interest earnings and profits resulting from the investment and deposit of amounts in (A) the 2002A Capitalized Interest Account shall be retained in the 2002A Capitalized Interest Account and used for the purposes of such account and (B) the 2002B Capitalized Interest Account shall be retained in the 2002B Capitalized Interest Account and used for the purposes of such account.

Closing of Improvement Fund. Each Acquisition Account and Capitalized Interest Account of the Improvement Fund shall be closed when no funds remain in such account.

Costs of Issuance Fund. Moneys in the Costs of Issuance Fund shall be held in trust by the Trustee. The Costs of Issuance Fund is not pledged to the payment of the 2002 Bonds. Interest earnings and profits resulting from the investment of moneys in the Costs of Issuance Fund shall be retained by the Trustee in the Costs of Issuance Fund to be used for the purposes of such fund.

Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in requisitions containing respective amounts to be paid to the designated payees, signed by the County Representative and delivered to the Trustee concurrently with the delivery of the 2002 Bonds and from time to time thereafter. The Trustee shall pay all Costs of Issuance pursuant to the requisitions submitted by the County Representative to the Trustee requesting payment of Costs of Issuance. The Trustee shall maintain the Costs of Issuance Fund for a period of six months from the date of delivery of the 2002 Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the 2002A Acquisition Account of the Improvement Fund.

Reserve Fund. Moneys in the 2002A Reserve Account shall be held in trust by the Trustee for the benefit of the holders of the 2002A Bonds as a reserve for the payment of principal of, and interest and any premium on, the 2002A Bonds and shall be subject to a lien in favor of the holders of the 2002A Bonds. Moneys in the 2002B Reserve Account shall be held in trust by the Trustee for the benefit of the holders of the 2002B Bonds as a reserve for the payment of principal of, and interest and any premium on, the 2002B Bonds and shall be subject to a lien in favor of the holders of the 2002B Bonds. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund shall be used as required by the County Representative to comply with the arbitrage rebate provisions of the Indenture and the Tax Certificate, and shall, to the extent amounts in the Reserve Fund equal the Reserve Requirement, otherwise be subject to transfer as provided below.

Except as otherwise provided below, (1) all amounts deposited in the 2002A Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the 2002A Bond Account in the event of any deficiency on any Interest Payment Date in the 2002A Bond Account of the amount then required for payment of the principal of (including any sinking fund payments), and interest and any premium on, the 2002A Bonds or for the purpose of redeeming 2002A Bonds and (2) all amounts deposited in the 2002B Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the 2002B Bond Account in the event of any deficiency on any Interest Payment Date in the 2002B Bond Account of the amount then required for payment of the principal of (including any sinking fund payments), and interest and any premium on, the 2002B Bonds or for the purpose of redeeming 2002B Bonds.

Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the County Representative and the Bond Insurer, specifying the amount withdrawn.

Whenever, on any Interest Payment Date, or on any other date at the request of the County Representative or other date that valuation is required by the Indenture, the amount in the 2002A Reserve Account or the 2002B Reserve Account exceeds the Reserve Requirement for the 2002A Bonds or the 2002B Bonds, respectively, the Trustee shall provide written notice to the County Representative of the amount of the excess and shall transfer, in the following order of priority, such excess from the Reserve Fund: (i) to the County, an amount equal to the Administrative Expenses due for the next ensuing year plus any Administrative Expenses then due and payable (all as reflected in a certificate of the County Representative delivered to the Trustee), (ii) to the 2002A Bond Account or the 2002B Bond Account, as applicable, to be used for the payment of interest on the applicable Series of 2002 Bonds on the next Interest Payment Date.

The Trustee shall value the Reserve Fund (i) quarterly on each January 1, April 1, July 1, and October 1 and (ii) at any time upon the request of the County Representative. Whenever upon valuation by the Trustee the balance in the 2002A Reserve Account or the 2002B Reserve Account equals or exceeds the amount required to redeem or pay the Outstanding 2002A Bonds or the Outstanding 2002B Bonds, respectively, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall transfer the amount in the 2002A Reserve Account or the 2002B Reserve Account, as applicable to the 2002A Bond Account or the 2002B Bond Account, respectively, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding 2002 Bonds of the applicable Series. In the event that the amount so transferred exceeds the amount required to pay and redeem the Outstanding 2002A Bonds or the Outstanding 2002B Bonds, respectively, the balance remaining in the 2002A Reserve Account or the 2002B Reserve Account, as applicable, after such transfer shall be transferred to the County to be used for any lawful purpose of the County.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund as described in the immediately preceding paragraph until after (i) the calculation of any rebate amounts due to the federal government following payment of the 2002 Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of all amounts then due to the Trustee.

Whenever, upon valuation by the Trustee, the amount on deposit in the 2002A Reserve Account or the 2002B Reserve Account is less than the Reserve Requirement for the related Series of Bonds, the Trustee shall notify the County of the amount necessary to restore the amount in such Account to the Reserve Requirement for the related Series of Bonds. A deficiency upon the quarterly valuation shall be replenished in three equal monthly payments prior to the next succeeding valuation date. A withdrawal must be replenished within the next succeeding twelve months.

Bond Fund. Moneys in the 2002A Bond Account shall be held in trust by the Trustee for the benefit of the Holders of the 2002A Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the 2002A Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Holders of the 2002A Bonds. Moneys in the 2002B Bond Account shall be held in trust by the Trustee for the benefit of the Holders of the 2002B Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the 2002B Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Holders of the 2002B Bonds. Interest earnings and profits resulting from the investment and deposit of amounts in the accounts of the Bond Fund shall be retained in such accounts to be used for purposes of such account.

Notwithstanding any provision of the Indenture to the contrary, whenever the Trustee shall receive amounts from the County for deposit to the Bond Fund, the Trustee shall deposit such amounts first in the 2002A Bond Account until the amount on deposit in such account equals the principal of and interest on the 2002A Bonds payable on the next Interest Payment Date and, second to the 2002B Bond Account.

On each Interest Payment Date and on any redemption date, the Trustee shall withdraw from the 2002A Bond Account and pay to the holders of the 2002A Bonds the principal, and interest and any premium, then due and payable thereon, including any amounts due on the 2002A Bonds by reason of sinking fund payments, or a redemption of the 2002A Bonds required by the Indenture, less any amount to be used to pay interest on the 2002A Bonds on such Interest Payment Date from the 2002A Capitalized Interest Account, such payments to be made in the priority listed in the second succeeding paragraph.

In the event that amounts in the 2002A Bond Account are insufficient for the purposes set forth in the preceding paragraph, the Trustee shall withdraw from the 2002A Reserve Account to the extent of any funds therein amounts to cover the amount of such insufficiency and deposit such amount in the 2002A Bond Account.

If, after the foregoing transfer, there are insufficient funds in the 2002A Bond Account to make the payments provided for in the first sentence of the second preceding paragraph above, the Trustee shall apply the available funds first to the payment of interest on the 2002A Bonds, then to the payment of principal due and payable on the 2002A Bonds other than by reason of sinking fund payments and premium, and then to payment of principal due and payable on the 2002A Bonds by reason of sinking fund payments. Any sinking fund payment not made as scheduled shall be added to the sinking fund payment to be made on the next sinking fund payment date.

On each Interest Payment Date and on any redemption date, the Trustee shall withdraw from the 2002B Bond Account and pay to the holders of the 2002B Bonds the principal, and interest and any premium, then due and payable thereon, including any amounts due on the 2002B Bonds by reason of sinking fund payments, or a redemption of the 2002B Bonds required by the Indenture, less any amount to be used to pay interest on the 2002B Bonds on such Interest Payment Date from the 2002B Capitalized Interest Account, such payments to be made in the priority listed in the second succeeding paragraph.

In the event that amounts in the 2002B Bond Account are insufficient for the purposes set forth in the preceding paragraph, the Trustee shall withdraw from the 2002B Reserve Account to the extent of any funds therein amounts to cover the amount of such insufficiency and deposit such amount in the 2002B Bond Account.

If, after the foregoing transfer, there are insufficient funds in the 2002B Bond Account to make the payments provided for in the first sentence of the second preceding paragraph above, the Trustee shall apply the available funds first to the payment of interest on the 2002B Bonds, then to the payment of principal due and payable on the 2002B Bonds other than by reason of sinking fund payments and premium, and then to payment of principal due and payable on the 2002B Bonds by reason of sinking fund payments. Any sinking fund payment not made as scheduled shall be added to the sinking fund payment to be made on the next sinking fund payment date.

Special Fund. The Special Fund will be held by the County. The County shall deposit in the Special Fund, as soon as practicable following receipt, any Special Revenues. Moneys in the Special Fund shall be held in trust by the County for the benefit of the Bondholders, shall be disbursed as provided below and shall be subject to a lien in favor of the Bondholders to the extent provided in the Indenture.

The County shall withdraw from the Special Fund and transfer the following amounts, on the following dates, in the following order of priority: (i) at least five days before each Interest Payment Date, to the Trustee for deposit to the 2002A Bond Account an amount, taking into account any amounts then on deposit in the 2002A Bond Account, such that the amount in the 2002A Bond Account equals the principal (including any sinking fund payment), premium, if any, and interest due on the 2002A Bonds on such Interest Payment Date, (ii) at any time upon receipt of notice from the Trustee of a deficiency in the 2002A Reserve Account, to the Trustee for deposit to the 2002A Reserve Account, the amounts required to be deposited to the 2002A Reserve Account described above in the last paragraph under the caption "-- Reserve Fund", until the amount in the 2002A Reserve Account is equal to the Reserve Requirement for the 2002A Bonds, (iii) at least five days before each Interest Payment Date, to the Trustee for deposit to the 2002B Bond Account an amount, taking into account any amounts then on deposit in the 2002B Bond Account, such that the amount in the 2002B Bond Account equals the principal (including any sinking fund payment), premium, if any, and interest due on the 2002B Bonds on such Interest Payment Date, and (iv) at any time upon receipt of notice from the Trustee of a deficiency in the 2002B Reserve Account, to the Trustee for deposit to the 2002B Reserve Account, the amounts required to be deposited to the 2002B Reserve Account described above in the last paragraph under the caption "-- Reserve Fund", until that the amount in the 2002B Reserve Account, is equal to the Reserve Requirement for the 2002B Bonds. If all transfers required by clauses (i) and (iii) of the preceding sentence have been made and the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement for the Bonds, then amounts on deposit in the Special Fund equal to the Administrative Expenses due for the next ensuing year plus any Administrative Expenses then due and payable (all as reflected in a certificate of the County Representative delivered to the Trustee), shall be withdrawn by the County from the Special Fund and used to pay the Administrative Expenses from time to time.

The Trustee shall deposit moneys received from the County (i) first, to the 2002A Bond Account in the amount required to make the amount on deposit in the 2002A Bond Account equal to the principal of, premium, if any, and interest payable on the 2002A Bonds on the next succeeding Interest Payment Date, (ii) second, to the 2002A Reserve Account, the amounts required to be deposited to the 2002A Reserve Account described above in the last paragraph under the caption "-- Reserve Fund", until the amount on deposit in the 2002A Reserve Account is equal to the Reserve Requirement for the 2002A Bonds, (iii) third, to the 2002B Bond Account in the amount required to make the amount on deposit in the 2002B Bond Account equal to the principal of, premium, if any and interest payable on the 2002B Bonds on the next Interest Payment Date, and (iv) fourth, to the 2002B Reserve Account, the amounts required to be deposited to the 2002B Reserve Account described above in the last paragraph under the caption "-- Reserve Fund", until the amount on deposit in the 2002B Reserve Account is equal to the Reserve Requirement for the 2002B Bonds.

Interest earnings and profits resulting from the investment of moneys in the Special Fund shall be retained in the particular subaccount of the Special Fund to be used for the purposes thereof.

Rebate Fund. Funds shall be deposited to and withdrawn from the Rebate Fund in accordance with the provisions of the Indenture. The Rebate Fund shall be invested in accordance with the Investment Instructions. The Rebate Fund is not pledged to the payment of the 2002 Bonds.

Administrative Expenses

Amounts transferred to the County in accordance with the Indenture for the payment of Administrative Expenses may be used by the County to pay Administrative Expenses from time to time. The County Representative shall maintain records of all Administrative Expenses paid by the County from time to time, including the nature of such Administrative Expenses.

Investments

Moneys in any fund or account created or established by the Indenture and held by the Trustee shall be invested by the Trustee in Permitted Investments at the direction of the County. Absent such direction, the Trustee shall invest amounts deposited in such funds and accounts in Federal Securities which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. Moneys in any fund or account created or established by the Indenture or the Resolutions and held by the County shall be invested by the County in Permitted Investments which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture.

The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Trustee shall not incur any liability for losses arising from any investments made pursuant to the Indenture. The Trustee shall not be required to determine the legality of any investments nor shall the Trustee be liable for failure to invest in legal investments or in the highest yielding investments.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the 2002 Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued by the Trustee and the County at Fair Market Value or as otherwise provided under the Investment Instructions. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued by or on behalf of the County at their present value (within the meaning of Section 148 of the Code). The Trustee shall not be liable for such valuation or verification of the application of such section of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Trustee or the County under the Indenture, provided that the Trustee and the County shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture.

The Trustee and the County shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and the Trustee and the County shall not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Claims Upon the Bond Insurance Policy

The Trustee shall not make a claim for payment on a Bond Insurance Policy until any and all funds held pursuant to the Indenture that are available to pay the principal of and interest on the applicable Insured Bonds have been fully drawn to pay such principal and interest.

As long as a Bond Insurance Policy shall be in full force and effect, the Trustee agrees to comply with the following provisions:

(a) At least three days prior to all Interest Payment Dates, the Trustee will determine whether there will be sufficient funds to pay the principal of and interest on the Insured Bonds payable on such Interest Payment Date. If the Trustee determines that there will be insufficient funds, the Trustee shall so notify the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the Insured Bonds to which such deficiency is applicable and whether such Insured Bonds will be deficient as to principal or interest, or both. The Bond Insurer will make payments of principal or interest due on such Insured Bonds on or before the first day next following the date on which the Insurance Trustee shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Insurance Trustee as provided in (a) above, make available to the Bond Insurer and the Insurance Trustee, the Bond Register and all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of the registered owners of the Insured Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the applicable Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of the Insured Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon such Insured Bonds surrendered to the Insurance Trustee by the registered owners of the Insured Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee shall at the time it provides notice to the Insurance Trustee pursuant to (a) above, notify registered owners of the Insured Bonds due and payable entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or part of the interest payments next coming due upon proof of owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Bond Insurer, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Bond Insurer to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee, who shall note on such Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Bond Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on an Insured Bond which has become due for payment and which is made to a registered owner by or on behalf of the County has been deemed a preferential transfer and therefore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Insurance Trustee is notified pursuant to (a) above, notify all registered owners of Insured Bonds that in the event that any such registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Insurance Trustee and the Bond Insurer its records evidencing the payments of principal of and interest on the Insured Bonds which have been made by the Trustee and subsequently recovered from the registered owners thereof and the dates on which such payments were made.

(f) The Bond Insurer shall, to the extent it makes payment of principal of or interest on Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the applicable Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the Bond Register, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Insured Bonds and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the Bond Register upon surrender of the Insured Bonds by the registered owners thereof together with proof of payment of the principal thereof.

Provisions Relating to the Bond Insurer

Subrogation of Bond Insurer. Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Insured Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, such Insured Bonds shall remain Outstanding for all purposes under the Indenture, not be defeased or otherwise satisfied and not be considered paid by the County, and all covenants, agreements, and other obligations of the County to the registered owners of such Insured Bonds shall continue to exist and shall run to the benefit of the Bond Insurer and the Bond Insurer shall be subrogated to the rights of such registered owners.

References to Bond Insurer. All references to the Bond Insurer in the Indenture (including without limitation any provision of the Indenture requiring notice to or the consent of the Bond Insurer) shall be of no further force and effect on and after the date on which there are no Insured Bonds Outstanding and all obligations of the County to the Bond Insurer under the Indenture and under the Bond Insurance Policy have been satisfied.

Reimbursement and Indemnification of Bond Insurer. The County shall pay or reimburse the Bond Insurer, but solely from the Special Revenues, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with the (i) administration, enforcement, defense, or preservation of any rights or security under the Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to the Indenture whether or not executed or completed, (iv) the violation by the County of any law, rule, or regulation or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with the Indenture or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its payment obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge an Administrative Fee of $2,500 as a condition to executing any amendment, waiver or consent proposed in respect of any document or action taken after the Closing Date in connection with the Bonds and any of the Bond Documents.

The County shall protect, hold harmless and indemnify the Bond Insurer, but solely from the Special Revenues, for, from and against any and all liability, obligations, losses, claims and damages paid or incurred in connection with its business or properties, the Indenture and any related instrument (including all environmental liabilities regarding its properties), (except that the County shall not protect, hold harmless or indemnify the Bond Insurer for the willful or wanton acts or omissions, mistakes, gross negligence of the Bond Insurer, to the extent that such acts, omissions, mistakes, gross negligence of such party are successfully alleged to have caused the liability, obligation, loss, claim or damage) and expenses in connection therewith including reasonable attorneys' fees and expenses.

The obligations of the County to protect, hold harmless, reimburse and indemnify the Bond Insurer as set forth above shall survive any termination, release, satisfaction and discharge of the Indenture.

Consent of Bond Insurer. The Bond Insurer's consent shall be required for the following purposes: (i) execution and delivery of any amendment or supplement to the Indenture or the Resolutions or any other document executed in connection with the issuance of the Bonds (other than an amendment or supplement for the purpose of authorizing Additional Bonds in accordance with the terms of the Bond Documents or for the purpose of initiation of a book-entry system for the 2002B Bonds); (ii) removal of the Trustee; and (iii) initiation or approval of any action not described in (i) and (ii) above which requires Bondholder consent.

Interpretation of Indenture

In determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the Bondholders without regard to the Bond Insurance Policy. The Trustee shall not be permitted to resolve ambiguities in the Indenture in any manner that shall be deemed to be conclusively binding on the Bondholders without the consent of the Bond Insurer.

Covenants of the County

The County has made, among others, the following covenants under the Indenture:

<u>Punctual Payment</u>. The County will punctually pay or cause to be paid the principal of, and interest and any premium on, the 2002 Bonds when and as due in strict conformity with the terms of the Indenture, the 2002 Bonds and any Supplemental Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the 2002 Bonds.

<u>Extension of Time for Payment</u>. In order to prevent any accumulation of claims for interest after maturity, the County shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the 2002 Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the County, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the 2002 Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

<u>No Encumbrances</u>. The County will not encumber, pledge or place any charge or lien upon any of the Special Revenues or other amounts pledged to the 2002 Bonds or the funds or accounts pledged under the Indenture superior to, on a parity with or subordinate to the pledge and lien created for the benefit of the 2002 Bonds, except as permitted by the Indenture.

<u>Protection of Security and Rights of Bondholders</u>. The County will preserve and protect the security of the 2002 Bonds and the rights of the Bondholders, and will warrant and defend their rights against all claims and demands of all persons.

<u>Compliance with Law</u>. The County will comply with all applicable provisions of the Acts and law in financing the Improvements.

<u>Further Assurances</u>. The County will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Bondholders of the rights and benefits provided in the Indenture.

<u>No Arbitrage; Rebate</u>. The Director of Finance shall be the official of the County responsible for issuing the 2002 Bonds (the "Section 148 Certifying Official"). The Section 148 Certifying Official shall execute and deliver on the Closing Date the County's Tax Certificate that complies with the requirements of Section 148 of the Code. The County shall set forth in its Tax Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the 2002 Bonds, or of any moneys, securities or other obligations that may be deemed to be proceeds of the 2002 Bonds within the meaning of Section 148.

The County further covenants that it will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2002 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2002 Bonds would have caused the 2002 Bonds to be "arbitrage bonds" within the meaning of Section 148(f) of the Code.

The County shall (i) hold and invest Bond proceeds within its control (if such proceeds are invested), (ii) direct the Trustee to transfer amounts on deposit in any fund or account created by the Indenture to the Rebate Fund for the payment of rebate or payments in lieu thereof to the United States of America, all in accordance with the expectations of the County set forth in the Tax Certificate.

The County shall make timely payment, but only from the Special Revenues or funds held under the Indenture, of any rebate amount or payment in lieu thereof (or installment of either) required to be paid to the United States of America in order to preserve the excludability from gross income, for federal income tax purposes, of interest paid on the 2002 Bonds and shall include with any such payment such other documents, certificates or statements as shall be required to be included therewith under then-applicable law and regulations.

Upon the written direction of the County, the Trustee shall transfer amounts on deposit in any fund and account created by the Indenture to the Rebate Fund, any other provision of the Indenture to the contrary notwithstanding. Amounts on deposit in the Rebate Fund from time to time required to be paid to the United States of America pursuant to Section 148 of the Code as a rebate or payment in lieu thereof shall be made available by the Trustee to the County for such payments upon the written direction of the County. Upon the written direction of the County, the Trustee shall transfer amounts on deposit in the Rebate Fund to any fund or account created by the Indenture or to the County for deposit to any such fund or account; provided, however, that the amount set forth by the County in such written direction to be transferred shall not exceed the excess of the amount on deposit in the Rebate Fund over the rebate liability as of the date of the calculation, less amounts theretofore paid to the United States of America as rebate with respect to the 2002 Bonds.

Maintenance of Tax-Exemption. The County shall take all actions necessary to assure the exclusion of interest on the 2002 Bonds from the gross income of the Bondholders to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2002 Bonds.

Amendments to Implementation Agreement. The County shall not execute or deliver any amendment to the Implementation Agreement or terminate the obligations of any Implementation Party thereunder without the prior written consent of the Bond Insurer.

Trustee; Resignation and Removal

Wachovia Bank, National Association is appointed Trustee, registrar and paying agent for the 2002 Bonds. The Trustee undertakes to perform such duties, and only such duties, as are specifically set forth in the Indenture and in the Investment Instructions, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph, shall be the successor to such Trustee without the execution or filing of any paper or any further act.

The Trustee may be removed at any time for cause by the Bond Insurer, or, with the written consent of the Bond Insurer, the Majority Holders acting in their sole discretion by an instrument or concurrent instruments in writing signed by the Majority Holders and delivered to the Trustee, the County, and the Developers. After an Event of Default has occurred and is continuing, the Trustee may be removed at any time by the Bond Insurer. Upon thirty (30) days prior written notice, the County, with the prior written consent of the Bond Insurer, may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus and undivided profits of at least One Hundred Million Dollars ($100,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the foregoing requirement, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time provide notice of resignation by giving written notice to the County and the Bond Insurer and by giving to the Bondholders notice by mail of such resignation. Upon receiving notice of the resignation of the Trustee or the removal by the Bond Insurer, the Majority Holders or the County of the Trustee, the

County shall promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

If no appointment of a successor Trustee shall be made pursuant to the foregoing paragraphs within forty-five days after the Trustee shall have given to the County and the Bond Insurer written notice or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee, the Bond Insurer or any Bondholder may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Supplemental Indentures

Amendment Without Bondholder Consent. The Indenture and the rights and obligations of the County and of the Bondholders may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bondholders, but with the prior written consent of the Bond Insurer (except with respect to Supplemental Indentures described in paragraphs (v) and (vi) below, which shall not require Bond Insurer consent), to the extent permitted by law but only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved to or conferred upon the County in the Indenture so long as such limitation or surrender of such rights or powers shall not adversely affect the Bondholders;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, provided under any circumstances that such modifications or amendments shall not adversely affect the interests of the Bondholders;

(iii) to amend any provision relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the 2002 Bonds under the Code, in the opinion of Bond Counsel;

(iv) to permit 2002 Bond proceeds to be applied for any additional uses permitted by the Acts;

(v) in connection with the issuance of Additional Bonds under and pursuant to the Indenture;

(vi) in connection with the initiation of a book-entry registration system for the 2002B Bonds in accordance with the Indenture; or

(vii) to make modifications not adversely affecting any Outstanding 2002 Bonds in any material respect;

provided, however, that no amendments or modification to the Indenture shall be entered into for the purpose of modifying any rights or obligations of the Trustee under the Indenture without the written consent of the Trustee. The Trustee shall give notice to the Notice Holders if any Supplemental Indenture is executed as permitted by the Indenture without the consent of the Bondholders.

Amendment with Bondholder Consent. Except as set forth above, the Indenture and the rights and obligations of the County and of the Bondholders may only be modified or amended at any time by a Supplemental Indenture which shall become binding when there is filed with the Trustee the written consent of the Bond Insurer and either (i) the written consent of the Majority Holders of the Bonds Outstanding or (ii) if only one Series of Bonds then Outstanding are affected by such Supplemental Indenture, the written consent of the Majority Holders of the Bonds of such Series then Outstanding.

No modification or amendment to the Indenture shall (a) extend the maturity of or reduce the interest or compounding rate on any 2002 Bond or otherwise alter or impair the obligation of the County to pay the principal and interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any

2002 Bond without the express written consent of the Bondholder of such 2002 Bond, (b) reduce the percentage of the 2002 Bonds required for the written consent to any such amendment or modification, (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, (d) deprive the holder of any Bond then Outstanding of the lien created by the Indenture, without the express written consent of such Bondholder or (e) permit the creation by the County of any pledge or lien upon the Special Revenues superior to or on a parity with the pledge and lien created for the benefit of the 2002 Bonds, except as provided in the Indenture.

Procedure for Amendment With Written Consent of Bondholders. The County and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of the Indenture or any Supplemental Indenture, to the extent that such amendment is not permitted as set forth above under the caption "Amendment Without Bondholder Consent", to take effect when and as provided below. A copy of such Supplemental Indenture, together with a request to the applicable Bondholders for their consent thereto, shall be mailed by first-class mail, by the Trustee to each such Bondholder, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when consented to as set forth below.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Bond Insurer and the Bondholders set forth above (exclusive of Bonds owned by or held for the account of the County) and a notice shall have been mailed as provided below. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Indenture. Any such consent shall be binding upon the Bondholder giving such consent and on any subsequent Bondholder (whether or not such subsequent Bondholder has notice thereof) unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Bondholder by filing such revocation with the Trustee prior to the date when the notice provided for below has been mailed.

After the Bond Insurer and the Bondholders of the required percentage of Bonds or Series of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall mail a notice to the Bondholders of all of the Outstanding Bonds in the manner provided above for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Bondholders of the required percentage of Bonds or Series of Bonds, as applicable, and will be effective as provided above (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). A record, consisting of the papers required above to be filed with the Trustee, shall be proof of the matters therein related until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the requisite consents.

Effect of Supplemental Indenture. From and after any Supplemental Indenture becomes effective as provided above, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under the Indenture of the County and all Bondholders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Opinion of Bond Counsel Concerning Supplemental Indentures. The Trustee shall not execute or consent to any Supplemental Indenture unless prior to the execution and delivery thereof the Trustee shall have received the written opinion of Bond Counsel to the effect that the modifications or amendments effected by such Supplemental Indenture will not adversely affect the exclusion of interest on the 2002 Bonds from gross income for federal income tax purposes and are authorized and permitted under the provisions of the Indenture.

Liability of County

The County shall not incur any responsibility with respect to the 2002 Bonds or the Indenture other than in connection with the duties and obligations explicitly in the Indenture or the 2002 Bonds assigned to or imposed upon it. The County shall not be liable in connection with the performance of its duties under the Indenture, except for its own gross negligence or willful default. The County shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Trustee in the Indenture or of any of the documents executed by the Trustee in connection with the 2002 Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the County, including the County Representative, may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, upon certificates and opinions furnished to the County and conforming to the requirements of the Indenture. The County, including the County Representative, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Indenture shall require the County to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Revenues) in the performance of any of its obligations under the Indenture, or in the exercise of any of its rights and powers.

The County and the County Representative may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The County may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

Whenever in the administration of its duties under the Indenture, the County or the County Representative shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may, in the absence of willful misconduct on the part of the County, be deemed to be conclusively proved and established by a certificate of the Trustee or an Independent Consultant and such certificate shall be full warrant to the County and the County Representative for any action taken or suffered under the provisions of the Indenture or any Supplemental Indenture upon the faith thereof, but in its discretion the County or the County Representative may, in lieu thereof, accept other evidence of such matter or require such additional evidence as to it may seem reasonable.

County Representative; Administrator

Duties of County Representative. The County Representative shall perform the following tasks in connection with the 2002 Bonds:

(i) determine and calculate the annual Special Assessments and Special Taxes;

(ii) review and reconcile cash transaction statements delivered to the County Representative by the Trustee; and

(iii) perform obligations with respect to Special Assessment and Special Tax delinquencies as described under the caption "SECURITY FOR THE 2002 BONDS--Special Taxes and Special Assessments -- Levy, Payment and Collection".

Appointment of Administrator. In order to perform its duties and obligations under the Indenture, including the duties and obligations of the County Representative, the County may employ one or more Administrators. The County shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

Qualifications; Resignation, Removal and Appointment of Administrator. Any Administrator appointed pursuant to the Indenture shall be an individual or entity with the ability, as determined by the County, to perform the duties of the County and/or the County Representative under the Indenture and as more particularly set forth in the Administration Agreement.

The County may remove any Administrator upon one hundred twenty days written notice to the Administrator, and may appoint a successor or successors thereto. The County shall provide prior written notice to the Notice Holders of any intention to appoint, remove or replace the Administrator and the identity of any proposed

Administrator. The Notice Holders shall have thirty (30) days from the date of such notice to provide the County in writing with any comments or concerns of such Notice Holders relating to any intention to appoint, remove or replace any Administrator. The County agrees to consider any such comments or concerns in making its decision to appoint, remove or replace an Administrator; provided, notwithstanding any provision or statement of the Indenture to the contrary, any decision by the County to appoint, remove or replace an Administrator shall at all times be at the sole discretion of the County. The County shall also provide notice to the Trustee of the removal of the Administrator and the appointment of any Administrator.

The Administrator may resign from its obligations under the Administration Agreement upon one hundred twenty days written notice to the County and the Trustee. Any resignation or removal of the Administrator shall become effective upon acceptance of appointment by the successor Administrator.

If the Administrator has resigned or been removed and no appointment of a successor Administrator has been made within one hundred twenty days following receipt by the County or the Administrator of the written notice of the resignation or removal of the Administrator, the County shall appoint a County Representative to assume the obligations of the Administrator under the Indenture.

Defaults and Remedies

Events of Default. Each of the following is an Event of Default:

(a) Payment of interest on any Bond is not made when due and payable;

(b) Payment of the principal of or premium, if any, on, or purchase price of, any Bond is not made when due and payable;

(c) Subject to the notice provisions set forth below under the caption "-- Notice of Certain Defaults", default in the observance or performance of any other covenant, condition or agreement on the part of the County under the Indenture or in the Bonds; or

(d) Appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the Special Revenues and other funds of the County pledged pursuant to the Indenture, or the filing by the County of any petition for reorganization of the County or rearrangement or readjustment of the obligations of the County under provisions of any applicable bankruptcy or insolvency law.

Notwithstanding any other provision of the Indenture, a failure to pay principal and interest, or any other Event of Default, on the 2002B Bonds will not constitute an Event of Default on the Senior Bonds.

Other Remedies. Upon the occurrence and continuation of an Event of Default, the Trustee may, with the consent of the Bond Insurer, and shall at the written request of the Bond Insurer or if there are no Senior Bonds Outstanding, by the Majority Holders, and having been indemnified as provided in the Indenture, pursue any available remedy, at law or in equity, to enforce the payment of the principal of and premium, if any, and interest on the Bonds, to enforce any covenant or condition under the Indenture or to remedy any Event of Default.

Notwithstanding anything in the Indenture or in the Resolutions to the contrary, upon the occurrence and continuation of an Event of Default, the Bond Insurer will control and direct all actions of the Trustee in exercising such of the rights and powers conferred by the Indenture on the Trustee or the Bondholders as if the Bond Insurer were the owner of the Insured Bonds; provided however that with the written consent of the Bond Insurer, the 2002B Bondholders may exercise any remedies that are granted to the 2002B Bondholders by the Bond Insurer.

If there are no Senior Bonds Outstanding, upon the occurrence and continuation of an Event of Default, and if requested so to do by the Majority Holders, and having been indemnified as provided in Section 10.05, the Trustee will exercise such of the rights and powers conferred by this Section as the Trustee, being advised by counsel, deems most effective to enforce and protect the interests of the Bondholders.

So long as any Senior Bonds are Outstanding, no holder of 2002B Bonds may exercise any remedy under the Indenture or under any other Bond Document; provided however that with the written consent of the Bond Insurer, the 2002B Bondholders may exercise any remedies that are granted to the 2002B Bondholders by the Bond Insurer.

Effect of Discontinuance or Abandonment. If any proceeding taken by the Trustee on account of any default has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, then the County, the Trustee, the Bond Insurer and the Bondholders will be restored to their former positions and rights under the Indenture and all rights, remedies and powers of the Trustee will continue as though no such proceeding had been taken.

Rights of Bond Insurer and Bondholders. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of any Event of Default, the Bond Insurer, or if there are no Senior Bonds Outstanding, the Majority Holders will have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture.

Restriction on Bondholder's Action. In addition to the other restrictions on the rights of Bondholders to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Indenture, no Bondholder will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or any remedy under the Indenture or the Bonds, unless (i) the Trustee has received written notice of an Event of Default; (ii) the Bond Insurer, or if there are no Senior Bonds Outstanding, the Majority Holders have made written request of the Trustee to institute the suit, action, proceeding or other remedy, after the right to exercise the powers or rights of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute the action, suit or proceeding in its or their name; (iii) there has been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred; and (iv) the Trustee has not complied with the request within a reasonable time. Such notification, request and offer of indemnity are declared, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture. It is intended that no one or more Bondholders will have any right to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or the Bonds, except in the manner provided for in the Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all Bondholders. Nothing in the Indenture will affect or impair the right of the Bondholders to enforce payment of the Bonds in accordance with their terms.

Waiver of Events of Default; Effect of Waiver. The Trustee may, in its discretion, waive any Event of Default under the Indenture with the written consent of the Bond Insurer. The Trustee will waive any Event of Default and its consequences at the written request of the Bond Insurer or, if there are no Senior Bonds Outstanding, the Majority Holders. If any Event of Default with respect to the Bonds has been waived as provided in the Indenture, the Trustee will promptly give written notice of the waiver to the County and the Bond Insurer and by first class mail, postage prepaid, to all Bondholders if the Bondholders had previously been given notice of the Event of Default. No waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right, power or remedy available under the Indenture.

No delay or omission of the Trustee, the Bond Insurer or of any Bondholder to exercise any right, power or remedy accruing upon any default or Event of Default will impair any such right, power or remedy or will be construed to be a waiver of or acquiescence in any such default or Event of Default. Every right, power and remedy given by the Indenture to the Trustee, to the Bond Insurer and to the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Money. Any money received by the Trustee pursuant to foregoing provisions of the Indenture will, after payment of the costs and expenses of the proceedings resulting in the collection of the money, the expenses, liabilities and advances incurred or made by the Trustee and the fees (whether ordinary or extraordinary) of the Trustee, be deposited in the Bond Fund and applied as follows:

(a) Unless the principal or purchase price of all of the Outstanding Bonds is due and payable, all money will be applied:

First - To the payment of the persons entitled to it of all installments of interest then due on the Senior Bonds, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege;

Second - To the payment of the persons entitled to it of the unpaid principal or purchase price of and premium, if any, on any of the Senior Bonds which has become due (other than Senior Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Senior Bonds and the premium, if any, due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege; and

Third - To the payment of the persons entitled to it of all installments of interest then due on the 2002B Bonds, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege; and

Fourth - To the payment of the persons entitled to it of the unpaid principal or purchase price of and premium, if any, on any of the 2002B Bonds which has become due (other than 2002B Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such 2002B Bonds and the premium, if any, due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege; and

(b) If the principal of all of the Outstanding Bonds is due and payable, <u>first</u> to the payment of the principal of and interest then due and unpaid on the Outstanding 2002A Bonds, without preference or priority of any principal over interest or interest over principal or of any installment of interest over any other installment of interest, or of any such Outstanding 2002A Bond over any other such Outstanding 2002A Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled to it without any discrimination or preference, and <u>second</u> to the payment of the principal of and interest then due and unpaid on the Outstanding 2002B Bonds, without preference or priority of any principal over interest or interest over principal or of any installment of interest over any other installment of interest, or of any such Outstanding 2002B Bond over any other such Outstanding 2002B Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled to it without any discrimination or preference.

(c) Whenever money is to be applied pursuant to the foregoing provisions, it will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the future. If paragraph (b) above is applicable, the Trustee will apply promptly to the payment of the Bonds any money it receives under the foregoing provisions. Whenever the Trustee applies such money, it will fix the date on which payment is to be made, and interest on the amount of principal to be paid on such date will cease to accrue. The Trustee will give, by mailing by first class mail as it may deem appropriate, notice of the deposit with it of any such money and of the fixing of any such date.

<u>Notice of Certain Defaults</u>. Anything in the Indenture to the contrary notwithstanding, no default under paragraph (c) under the caption "-- Events of Default" will constitute an Event of Default until actual notice of the default is given to the County by the Trustee, the Bond Insurer or by the holders of not less than twenty-five percent in aggregate principal amount of all Outstanding Bonds, and the County has had (i) 30 days after receipt of the notice with respect to any default in the payment of money or (ii) with the consent of the Bond Insurer, 90 days after receipt of the notice of any other default to correct the default or to cause the default to be corrected; provided, however, that if the default cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected.

Discharge of Indenture

The County shall have the option to pay and discharge the entire indebtedness on all or any portion of any Series of the 2002 Bonds Outstanding in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Series of the 2002 Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Reserve Fund and the Bond Fund, is fully sufficient to pay such Series of the 2002 Bonds Outstanding, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee, in trust, cash and Defeasance Securities in such amount as the County shall determine as confirmed by an independent certified public accountant acceptable to the Bond Insurer will, together with the interest to accrue thereon and moneys then on deposit in the Reserve Fund and the Bond Fund, be fully sufficient to pay and discharge the indebtedness on such 2002 Bonds (including all principal, interest and redemption premiums) at or before the maturity date.

If the County shall have taken any of the actions specified in (a), (b) or (c) above and if there has been delivered to the County, the Trustee and the Bond Insurer an opinion of Bond Counsel to the effect that no payment or deposit made pursuant to (a), (b) or (c) above will cause the interest on the 2002 Bonds to be includible in gross income for purposes of federal income taxation and that all requirements of the Indenture have been complied with, and if the County has received written confirmation of a rating on such 2002 Bonds in at least the highest rating category by a Qualified Rating Agency (the cost of such rating to be paid as an Administrative Expense), and if such 2002 Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the County, and notwithstanding that any 2002 Bonds shall not have been surrendered for payment, the pledge of the Special Revenues and other funds provided for in the Indenture and all other obligations of the County under the Indenture with respect to such 2002 Bonds Outstanding shall cease and terminate. Notwithstanding the foregoing, the obligation of the County to pay or cause to be paid to the Bondholders of the 2002 Bonds not so surrendered and paid all sums due thereon, all amounts owing to the Trustee, and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the 2002 Bonds from gross income for federal income tax purposes, shall continue in any event.

Upon compliance by the County with the foregoing with respect to all Bonds Outstanding, any funds held by the Trustee after payment of all fees and expenses of the Trustee, which are not required for the purposes of the preceding paragraph, shall be paid over to the County and any Special Revenues thereafter received by the County shall be retained by the County to be used for any purpose permitted under the Acts.

No Acceleration

The principal of and interest on the 2002 Bonds shall not be subject to acceleration under the Indenture. Nothing in the Indenture shall in any way prohibit the prepayment or redemption of 2002 Bonds as described under the caption "THE 2002 BONDS-- Redemption", or the defeasance of the 2002 Bonds and discharge of the Indenture as described under the caption "Discharge of Indenture" above.

Unclaimed Moneys

Any moneys held by the Trustee in trust for the payment and discharge of the principal of, and the interest and any premium on, the 2002 Bonds which remains unclaimed for five years after the date when the payments of such principal, interest and premium have become payable, if such moneys were held by the Trustee at such date, shall be repaid by the Trustee to the County as its absolute property free from any trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the County for the payment of the principal of, and interest and any premium on, such 2002 Bonds.

APPENDIX C

FORM OF BOND COUNSEL OPINION

[Closing Date]

County Executive and County Council
for Montgomery County, Maryland
Rockville, Maryland

$11,600,000
Montgomery County, Maryland
Special Obligation Bonds
(West Germantown Development District)
Senior Series 2002A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Montgomery County, Maryland (the "County") of its $11,600,000 Special Obligation Bonds (West Germantown Development District) Senior Series 2002A (the "2002A Bonds"). The 2002A Bonds are being issued under and pursuant to (1) Chapters 14 and 20A of the 1994 Montgomery County Code, as amended (collectively, the "Acts"), (2) Resolution No. 13-1135 (as amended, the "Formation Resolution"), adopted by the County Council for the County (the "County Council") on January 13, 1998 and approved by the County Executive, as amended by Resolution No. 14-957 ("Resolution No. 14-957") adopted by the County Council on July 17, 2001, (3) Resolution No. 13-1398 (as amended, the "Bond Resolution" and, together with the Formation Resolution, the "Resolutions"), adopted by the County Council on August 4, 1998, as amended by Resolution No. 14-957, (4) Executive Orders (collectively, the "Orders") passed by the County Executive on March 13, 2002 and March 22, 2002, and (5) an Indenture of Trust dated as of April 1, 2002 (the "Indenture") by and between the County and Wachovia Bank, National Association, as trustee (the "Trustee"). The 2002A Bonds mature, bear interest and contain such other terms and conditions as set forth in the 2002A Bonds.

Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Indenture.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon representations of the County and the Developers contained in the Indenture and the Tax Certificate and the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

We have not examined, and express no opinion as to, the existence of or title to real or personal property and, except as expressly stated herein, we express no opinion as to the creation, validity or priority of any lien upon, assignment of, pledge of or security interest in real or personal property.

Based on our examination and subject to the foregoing, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The County is a validly created and existing body politic and corporate and a political subdivision of the State of Maryland, possessing the authority under the Acts, the Resolutions, and the Orders to issue the 2002A Bonds.

2. The County has full power and authority under the Acts to adopt the Resolutions and to perform its obligations thereunder. The Resolutions have been duly adopted, have not been modified, amended or rescinded, except as set forth herein, and are in full force and effect.

3. The Orders have been duly passed, have not been modified, amended or rescinded and are in full force and effect.

4. The Indenture has been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes the valid and binding obligation of the County, enforceable against the County in accordance with its terms.

5. The 2002A Bonds have been duly authorized and legally issued in accordance with the Acts, the Resolutions and the Orders. The 2002A Bonds have been duly executed and delivered by the County and, assuming their due and proper authentication by the Trustee, are valid and binding special obligations of the County, payable solely from the Special Taxes and Special Assessments and certain other assets and revenues of the District pledged by the County under the Indenture, to the extent provided in the Indenture, including amounts deposited in certain funds and accounts held by the Trustee and the County under the Indenture. Pursuant to the Indenture, the County is issuing on this date the 2002B Bonds. The Indenture contains

provisions permitting the issuance of Additional Bonds. The 2002A Bonds and any Additional Bonds issued under the Indenture are secured by a senior lien on and a senior priority interest in the Special Revenues, which lien and interest is senior to the rights of the owners of the 2002B Bonds, such that the principal of, premium, if any, and interest on the 2002A Bonds and any Additional Bonds will be paid from the Special Revenues on each date on which such principal of, premium, if any, and interest is due and payable, prior to the payment of the principal of, premium, if any, and interest on the 2002B Bonds then due and payable.

6. As provided in the Acts, the 2002A Bonds do not constitute a general obligation debt of the County or a pledge of the County's full faith and credit or taxing power. The 2002A Bonds are not an indebtedness of the County within the meaning of the Montgomery County Charter. Except for the Special Taxes and Special Assessments, no other taxes or assessments are pledged to the payment of the 2002A Bonds.

7. Under existing laws, regulations, rulings and judicial decisions, the interest on the 2002A Bonds, including any "original issue discount" properly allocable to the holders of the 2002A Bonds, is excludable from the gross income of the recipients thereof for federal income tax purposes and is not an item of tax preference for purposes of federal alternative minimum tax imposed on individuals and corporations. Interest on the 2002A Bonds, however, will be included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items including those items that would be included in the calculation of corporate earnings and profits under Subchapter C of the Internal Revenue Code of 1986, as amended) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to this adjustment and before reduction for certain net operating losses). The "original issue discount" on any 2002A Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the 2002A Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers.

8. Under existing law of the State of Maryland, the principal amount of the 2002A Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized on their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the 2002A Bonds or the interest thereon.

The opinions set forth in the paragraph numbered 7 above assume, and are subject to, continuing compliance by the County and the Developers with the covenants regarding federal tax law set forth in the Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the 2002A Bonds to be included in the gross income of the holders of the 2002A Bonds retroactive to the date of issue of the 2002A Bonds.

The accrual or receipt of interest on the 2002A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular status or other items of income or deduction. We express no opinion regarding any such consequences. Purchasers of the 2002A Bonds, particularly purchasers that are corporations (including S Corporations and foreign corporations operating branches in the United States), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement Benefits or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations such as the 2002A Bonds, should consult their tax advisors concerning their tax consequences of purchasing and holding the 2002A Bonds.

It is to be understood that the rights of any holder of the 2002A Bonds and the enforceability of the Indenture and the 2002A Bonds may be subject to (a) bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter in effect affecting creditors' rights, to the extent constitutionally applicable, (b) the valid exercise of the constitutional powers of the United States of America and of the sovereign police and taxing powers of state or other governmental units having jurisdiction, and (c) the exercise of judicial discretion in accordance with general principles of equity (whether applied in a court of law or a court of equity).

Very truly yours,

APPENDIX D

CERTAIN COUNTY ECONOMIC AND ADMINISTRATIVE INFORMATION

ORIENTATION TO THE COUNTY, ITS HISTORY, AND GOVERNMENT

Location

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 497 square miles of land area. The topography is rolling with small hills. Elevations range from 52 feet above sea level at the junction of the Potomac River and the District Line, to 850 feet in the northern portion of the County near Damascus. Bordering the County are Howard County to the northeast, Prince George's County to the southeast, Frederick County to the northwest, the District of Columbia to the south, and Virginia to the southwest.

History

Montgomery County was established by the State Convention in 1776, and from its establishment until 1948, the Montgomery County Government functioned under the County Commission system. In 1948, the voters adopted a charter giving the County home rule and a council-manager form of government. In 1968, the voters approved a new charter providing for separate legislative and executive branches of government, with the legislative power vested in an elected County Council and executive power in an elected County Executive. The new charter became fully implemented with the election of the County Executive and the County Council in November 1970.

County Services

The County provides a wide range of governmental services as contemplated by statute and/or charter. These include: public schools, college, parks and planning, various fire departments, public safety, public works and transportation, culture and recreation, health and human services, community development and housing, environment, general government services, and related debt service. General governmental expenditures related to these functions for the fiscal year ending June 30, 2002 totaled $2.372 billion.

PROPERTY TAX INFORMATION

General

The County levies real and personal property taxes on all taxable property within its boundaries. Annual payments of taxes are due in full on July 1 and become delinquent on the following October 1. The semi-annual property tax payment system mandates partial payments of real property taxes (currently due September 30 and December 31) for certain residents of owner-occupied residential real estate unless they opt out of the semi-annual payment system and elect to make one annual payment. Property tax bills issued after September 30 may be paid within 30 days without interest or penalty. Tax sales to recover delinquent real property taxes are held on the second Monday in June in the fiscal year taxes are due and payable. Legal action may be taken to enforce payment of both real and personal property taxes.

Property Tax Assessments

The assessment of all real and tangible personal property for purposes of property taxation by State and local governmental units is the responsibility of the State Department of Assessments and Taxation. Assessment records and tax rolls are maintained in each county seat and in Baltimore City. All real property in Maryland is assessed at 100 percent of market value (full cash value). One-third of the real property base is physically inspected and revalued once every three years. Any increase in full cash value arising from such reassessment is phased in over the ensuing three taxable years in equal annual installments, although a decline in assessed valuation becomes fully effective in the first year.

Because of growth in new construction and improved value of properties, the real property taxable base increased 11 percent in the last five years, measured through 2001. Due to an expanding economy and growing number of taxable accounts, and despite the negative impact of several tax law changes, growth in the personal property base increased eight percent in the last five years, bringing the overall increase in the aggregate property base to 11 percent during this period.

Table 1

Assessed Value of All Taxable Property
By Class and Fiscal Year

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Ratio of Assessment to Full Market Value
2001	$74,122,532,195	$4,077,848,090	$78,200,380,285	94.10%
2000	71,686,384,553	3,879,302,990	75,565,687,543	95.91
1999	69,765,199,990	3,758,546,555	73,523,746,545	97.72
1998	68,186,602,838	3,654,450,970	71,841,053,808	98.48
1997	66,509,130,853	3,789,223,680	70,298,354,533	97.54

Note: During FY01 the taxable assessment method for real property changed from 40 percent to 100 percent of the assessed property value. Fiscal Years 1997 through 2000 have been restated at 100% of assessed value on this schedule for comparison purposes.

Sources: Montgomery County Department of Finance, Comprehensive Annual Financial Reports; and Office of Management and Budget, Approved FY01 Budget.

Tax-exempt properties are excluded from the above figures. In FY01, such exemptions for real property owned by Federal, State, County, and other governmental units, churches, schools, fraternal organizations, cemeteries, disabled veterans, and the blind totaled $3,576,009,630. Tax-exempt real property constitutes 11 percent of the total gross real property base, with 77 percent of the tax-exempt property in the combined Federal, State, Local government sectors. The State Department of Assessments and Taxation grants exemptions from property taxes, pursuant to State law.

The ratio of total assessed value to total full market value is based on studies conducted by the State Department of Assessments and Taxation. Based on recent data (June 2001) from 220,808 residential properties, the overall average County assessment per improved residential account of $261,464 equates to an estimated market value of $278,747.

Table 2

Tax Levies and Revenue

Fiscal Year	General County Tax Levy (including Education)	Revenue From Current Year Assessment	Ratio of Current Yr. Revenue to Tax Levy	Revenue From Prior Year Assessment	Total Revenue	Ratio of Total Revenue to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Year Tax Levy
2001	$621,488,986	$616,106,377	99.13%	$ (83,736)	$616,022,641	99.12%	$20,788,899	3.34%
2000	606,243,611	600,716,466	99.09	6,119,221	606,835,687	100.10	20,077,125	3.31
1999	596,405,657	587,029,606	98.43	3,949,630	590,979,236	99.09	20,219,046	3.39
1998	606,876,834	599,169,683	98.73	6,006,098	605,175,781	99.72	19,944,748	3.29
1997	604,170,465	598,155,989	99.00	445,968	598,601,957	99.08	17,398,035	2.88

Table 3

Tax Rates and Tax Levies, By Purpose

Fiscal	General County (including Education)		Transit		State		Total	
Year	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2001	$1.857	$621,488,986	$.100	$33,566,329	$.210	$62,605,672	$2.167	$717,660,983
2000	1.863	606,243,611	.102	33,074,129	.210	61,359,955	2.175	700,677,695
1999	1.923	596,405,657	.102	32,297,945	.210	60,227,585	2.235	688,931,187
1998	1.962	606,876,834	.091	28,155,852	.210	59,093,497	2.263	694,126,183
1997	1.990	604,170,465	.078	23,704,917	.210	57,564,804	2.278	685,440,186

Note: Rates shown are per $100 of assessed value, at the FY01 assessment methodology (real property assessed at 40% of full property value). In addition to the tax rates shown above, other special area rates are applicable in certain geographic areas of the County. In FY01, such rates included: municipalities (ranging from $.08 to $1.605); M-NCPPC ($.223); fire districts ($.293); recreation ($.069); storm drainage ($.01); noise abatement ($.40 to $.45); and the urban districts (ranging from $.04 to $.075). Commercial property without adequate parking facilities located within the four central business districts is subject to a parking lot district tax ranging from $.30 to $.70. Rates per $100 of assessed value.

Table 4

Property Tax Levies and Collections
Last Five Fiscal Years

Fiscal Year	Tax Levy	Current Year's Taxes Collected During Year	Percentage of Levy Collected During Year	Prior Years' Taxes Collected During Year	Total Collections	Percentage of Total Collections to Tax Levy	Accumulated Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Current Year's Tax Levy
2001	$784,285,708	$777,057,655	99.08%	$ (306,928)	$776,750,727	99.04%	$27,898,488	3.56%
2000	762,239,449	754,198,902	98.95	6,347,893	760,546,795	99.78	25,594,965	3.36
1999	738,861,799	731,482,875	99.00	5,711,062	737,193,937	99.77	26,165,483	3.54
1998	740,356,969	731,962,325	98.87	2,232,648	734,194,973	99.17	24,949,824	3.37
1997	726,034,855	716,728,175	98.72	7,932,587	724,660,762	99.81	22,952,675	3.16

Note: This table includes data for all property taxes billed applicable to all funds for Montgomery County, Maryland to include General, Special Revenue, Debt Service, and Enterprise Funds. Property taxes billed for the State of Maryland, various municipalities, the Washington Suburban Sanitary Commission, and, beginning in 1997, the Maryland-National Capital Park and Planning Commission, are excluded.

PERSONAL INCOME

Average Household and Per Capita Personal Income

The County's estimated 2001 household income was $136,670. The County ranks first in the State and exceeds the Washington MSA estimated average ($117,860) by 16 percent, the Maryland metropolitan average ($103,050) by 33 percent, and the U.S. metropolitan average ($91,330) by 50 percent. The County's estimated average household income ranks eleventh nationwide in 2001 – and second in the Washington metropolitan area -- measured among similar major suburban counties.

Table 5
Comparison of Estimated Per Capita and Average Household Income, 2001
Montgomery County and 19 Other Major Affluent Counties

County	Per Capita Income	County	Average Household Income
Marin, Calif.	$66,760	Fairfield, Conn.	$173,230
Fairfield, Conn.	64,490	Marin, Calif.	166,970
Arlington, Va.	59,140	Morris, N.J.	158,560
Westchester, N.Y.	57,590	Westchester, N.Y.	156,020
Morris, N.J.	56,780	Fairfax, Va.	149,580
Bergen, N.J.	55,260	San Mateo, Calif.	149,220
San Mateo, Calif.	54,800	Lake, Ill.	148,460
Fairfax, Va.	54,750	Bergen, N.J.	146,610
Oakland, Mich.	51,090	Nassau, N.Y.	144,070
Middlesex, Mass.	50,860	DuPage, Ill.	137,420
MONTGOMERY, MD.	**50,740**	**MONTGOMERY, MD.**	**136,670**
Lake, Ill.	50,690	Middlesex, Mass.	134,000
Norfolk, Mass.	50,020	Oakland, Mich.	131,630
DuPage, Ill.	49,730	Norfolk, Mass.	131,320
Montgomery, Pa.	48,850	Rockland, N.Y.	131,240
Johnson, Kan.	48,770	Arlington, Va.	128,960
Nassau, N.Y.	48,590	Montgomery, Pa.	125,570
Palm Beach, Fla.	45,050	Johnson, Kan.	124,590
Hamilton, Ind.	44,590	Hamilton, Ind.	120,120
Contra Costa, Calif.	43,280	Waukesha, Wis.	118,710

(1) A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (PMSA) with a population of at least 175,000 where income levels are considerably higher than in the central city and other jurisdictions in the area. These counties are primarily suburban in nature; no city or town accounts for 40 percent or more of the total population.

(2) Estimates of 2001 per capita income were based on trending forward experience during 1997-99.

(3) Estimated average 2001 household income was derived by multiplying the estimated 2001 per capita income by the average number of persons per household.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business" for personal income data; Sales and Marketing Management, "2001 Survey of Buying Power" for household data.

APPENDIX E

FORM OF DEVELOPER'S CONTINUING DISCLOSURE AGREEMENT

THIS AGREEMENT between [DEVELOPER] (the "Developer") and MONTGOMERY COUNTY, MARYLAND (the "County") in connection with the issuance of $15,915,000 in aggregate principal amount of Montgomery County, Maryland Special Obligation Bonds (West Germantown Development District) Series 2002 (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2002 (the "Indenture") by and between Wachovia Bank, National Association, as trustee (the "Trustee") and the County.

The Developer and the County hereby covenant and agree as follows:

Section 1. Definitions. Terms not otherwise defined herein shall have the meanings set forth in the Indenture. In addition, the following terms shall have the following meanings:

"Bulk Sale Purchaser" means any purchaser of unfinished lots in bulk from the Developer.

"County's Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of April 1, 2002, between the County and the Trustee.

"Development" shall mean the Developer's residential development to be located in the District, more particularly described in the Offering Documents under the caption "THE DEVELOPMENTS."

"Offering Documents" means the Official Statement dated March 22, 2002, relating to the 2002A Bonds and the Limited Offering Memorandum dated March 22, 2002, relating to the 2002B Bonds.

Section 2. Provision of Information. The Developer shall provide to the County the information described in this Section 2. The Developer shall provide the information described in paragraphs (i) through (vii) and, on an annual basis, the information described in paragraph (viii), during the period from the Closing Date until such time as the Developer (including any Affiliate of the Developer) or any Bulk Sale Purchaser no longer is responsible for the payment of Special Taxes and Special Assessments equal to at least 15% of the Annual Debt Service on the Bonds for any taxable year, as determined by the County based on the Special Tax and Special Assessment levy for the most recent taxable year. Thereafter, the Developer shall provide the information described in paragraph (iv) until its obligation under this Agreement terminates in accordance with Section 4. Such information shall be provided not later than (a) May 1, August 1 and November 1, beginning August 1, 2002, and shall include information for the most recently completed calendar quarter and (b) February 15 and shall include information for the most recently completed calendar year.

(i) Status of completion of the Improvements to be constructed as described in the Offering Documents;

(ii) Statement with respect to the Developer or any Affiliate as to the status of development loans and any permanent financing with respect to the District development not financed with Bond proceeds, including loan balance, interest rate, existence of deeds of trust or other similar encumbrances against the property within the District, existence of any default and remaining term. A statement as to the sufficiency of available funds to complete the District development under construction as contemplated;

(iii) Status of any legislative, administrative and judicial challenges to the construction of development within the District as known to the Developer;

(iv) A description of any new contracts executed by homebuilders to purchase lots in the District and any amendments to existing contracts, the total number of finished lots settled with homebuilders and the identification of such homebuilders, the number of lots owned by any Bulk Sale Purchaser that were finished during the period, and any homes constructed and/or sold by the Developer and a comparison of actual absorption to projected absorption and actual sales prices to projected sales prices in the same general form as the information in the Offering Documents under the caption "THE DEVELOPMENTS - Development Plans and Schedules for the Developments";

(v) The status of any governmental approvals (other than homebuilding permits) required for completion of the Development or the Improvements;

(vi) An updated "Estimated Development Costs and Sources of Funds" section of the Offering Documents with an explanation of variances greater than 5% from that set forth in the Offering Documents;

(vii) Any information regarding the District, the Development or other information as may be reasonably requested by the County relating to the ability of the Developer or any Affiliate of the Developer to fulfill its obligations under the documents described in the Offering Documents (including, without limitation, their ability to pay the Special Taxes and Special Assessments); and

(viii) For the annual report only, updated reviewed financial statements of the Developer for its most recently completed fiscal year, to be provided within 120 days of the end of such fiscal year.

The information described in this Section shall be provided to the County in an electronic or any other format reasonably requested by the County.

Section 3. Reporting of Significant Events. Whenever the Developer obtains actual knowledge of the occurrence of one or more of the following events, the Developer shall notify the County Representative of such occurrences and the County Representative shall immediately report such event as required by Section 3(xi) of the County's Continuing Disclosure Agreement:

(i) failure to pay any real property taxes (including the Special Assessments and Special Taxes) levied within the District 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 development or permanent financing of District development;

(iv) material default by the Developer or any Affiliate on any loan secured by property within the District owned by Developer or any Affiliate;

(v) payment default by the Developer on any loan to the Developer or by any Affiliate on any loan to such Affiliate (whether or not such loan is secured by property within the District);

(vi) the filing of the Developer or any Affiliate, the general partner of the Developer or any owners of more than 25% interest in Developer in bankruptcy or any determination that the Developer or an owner of interest in Developer or a subsidiary of Developer or any Affiliate is unable to pay its debts as they become due;

(vii) the filing of any lawsuit with claim for damage, in excess of $1,000,000 against the Developer or any Affiliate which may adversely affect the completion of District development or litigation which would materially adversely affect the financial conditions of the Developer or Affiliate; and

(viii) any change in the legal structure or ownership of the Developer.

Section 4. Termination of Reporting Obligation. The Developer's obligation under this Agreement shall terminate at the earlier to occur of (i) the date on which the Developer (including any Affiliate of the Developer) has (A) transferred title to all lots in the Development to an entity other than an Affiliate and (B) completed the lot finishing work on all of the undeveloped lots owned by any Bulk Sale Purchaser, or (ii) the date on which there are no Bonds Outstanding.

Section 5. Third Party Beneficiaries. The beneficial holders of the bonds shall be third party beneficiaries of this Agreement and entitled to enforce the provisions of this Agreement against the Developer.

Section 6. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

If to the County:

Montgomery County, Maryland
Executive Office Building
101 Monroe Street
Rockville, Maryland 20850
Attention: Director of Finance

If to the County Representative:

Montgomery County, Maryland
Executive Office Building
101 Monroe Street
Rockville, Maryland 20850
Attention: Debt Manager

If to the Developer:

Section 7. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8. Assignment; Successors and Assigns. The rights and obligations hereunder are intended to run and inure to any and all successors and assigns of the parties hereto. Each of the parties hereto shall have the rights to assign this Agreement; provided that the Developer shall have the right to assign this Agreement only to the extent permitted by the Implementation Agreement.

Date: As of April 1, 2002

MONTGOMERY COUNTY, MARYLAND

By:

[DEVELOPER]

By:

APPENDIX F

FORM OF COUNTY'S CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Agreement") between WACHOVIA BANK, NATIONAL ASSOCIATION, as trustee (the "Trustee") on behalf of the owners of the Bonds (as defined below), and MONTGOMERY COUNTY, MARYLAND (the "County") is being entered into in connection with the issuance of $15,915,000 in aggregate principal amount of Montgomery County, Maryland Special Obligation Bonds (West Germantown Development District) Series 2002 (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2002 (the "Indenture") by and between the Trustee and the County.

The Trustee and the County hereby covenant and agree as follows:

Section 1. Definitions. Terms not otherwise defined herein shall have the meanings set forth in the Indenture. In addition, the following terms shall have the following meanings:

"Annual Report" shall mean the annual report prepared and delivered to each Repository containing the information set forth in Section 2(a).

"Developers' Continuing Disclosure Agreements" shall mean, collectively, the Continuing Disclosure Agreements, each dated as of April 1, 2002, between the County and each of the Developers.

"Notice Holder" shall mean any person who provides (i) a written request to the County for notices hereunder to be given to such person at the address designated in such writing and (ii) evidence reasonably satisfactory to the County of such person's beneficial ownership of $1,000,000 or more in aggregate principal amount of the Bonds. Once a person becomes a Notice Holder, such person shall continue to be a Notice Holder for so long as such person shall be the owner or beneficial owner of any of the Bonds.

"Projects" shall mean the residential developments undertaken by the Developers in the District.

"Offering Documents" means the Official Statement dated March 22, 2002, relating to the 2002A Bonds and the Limited Offering Memorandum dated March 22, 2002, relating to the 2002B Bonds.

"Repository" shall mean each Nationally Recognized Municipal Securities Repository for purposes of the Rule and any public or private repository or entity designated by the State as a state repository for the purposes of the Rule and recognized as such by the Securities and Exchange Commission.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Provision of Information. (a) The County shall not later than November 15 of each year, commencing November 15, 2002, provide an Annual Report to each Repository and to Notice Holders. Each Annual Report shall contain or incorporate by reference the following:

(i) Any changes to the methodology for levying the Special Taxes and the Special Assessments in the District since the report of the previous year;

(ii) Assessed valuation, Special Tax levy and Special Assessment for all parcels within the District, as of the previous July 1;

(iii) Listing of any District taxpayer or taxpayers representing more than five percent of the levy of Special Taxes and Special Assessments, the amount of the levy of Special Taxes and Special Assessments against such landowners, the percentage of such Special Taxes and Special Assessments relative to the entire levy of Special Taxes and Special Assessments within the District, all as of the previous July 1 and the amount of any delinquencies owed by such landowners as of the previous September 30;

(iv) Any significant amendments to land use entitlements or legal challenges to the construction of the Improvements or the Projects of which the County Representative has actual knowledge;

(v) Any changes in the types of Improvements constructed from those stated in the Offering Documents and the status of completion of Improvements constructed or acquired with the proceeds of the Bonds since the report of the previous year of which the County Representative has actual knowledge;

(vi) Any amendment or supplement to the Implementation Agreement; and

(vii) The results of any tax sales of District property held on the previous 2nd Monday in June (or alternate date allowed by law).

If any of the foregoing information is not available to the County in time to be included in the Annual Report, the County shall provide such information to each Repository and the Notice Holders promptly when it becomes available.

(b) In addition to the Annual Report, the County shall promptly provide to each Repository and the Notice Holders such annual reports, quarterly reports and other continuing disclosure information provided to the County by each Developer pursuant to the Developers' Continuing Disclosure Agreements.

(c) The County shall use its best efforts to post each Annual Report and any information received from the Developers in a compatible electronic format pursuant to the Developers' Continuing Disclosure Agreements on the County's financial information website during any period in which the County maintains such a website.

Section 3. Reporting of Significant Events. The County shall file a notice of the occurrence of any of the following Listed Events of which the County Representative has actual knowledge with the Municipal Securities Rulemaking Board, any Repository and each Notice Holder:

(i) Delinquency in payment when due of any principal of or interest on the Bonds;

(ii) Occurrence of any default under the Indenture (other than as described in clause (i) above);

(iii) Amendment to the Indenture modifying the rights of the Bondholders;

(iv) Giving of notice of optional or unscheduled redemption of Bonds;

(v) Defeasance of Bonds or any portion thereof;

(vi) Any change in the rating, if any, on the Bonds;

(vii) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(viii) Any unscheduled draws on any debt service reserves or credit enhancement reflecting financial difficulties;

(ix) Any change or substitution in the provider of any credit enhancement, or any failure by the credit enhancer to perform on the credit enhancement;

(x) The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as security); and

(xi) The continuing disclosure event notices provided to the County by the Developer pursuant to the Developers' Continuing Disclosure Agreements.

The Trustee shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events (except the Listed Event described in clause (xi) of this Section, as to which the Trustee shall have no responsibility), contact the County Representative who shall immediately report such event as set forth herein. Notwithstanding the foregoing, notice by the Trustee of any Listed Event disclosing an optional or unscheduled redemption of any Bonds or the defeasance of the Bonds or any portion thereof as set forth in clauses (iv) and (v) of this Section shall not be given to the County Representative any earlier than the notice (if any) of the underlying event is given to Bondholders of the affected Bonds pursuant to the Indenture. For purposes of this subsection, "actual knowledge" of the Trustee or the County Representative of the occurrence of such Listed Events shall mean knowledge by an officer of the Trustee with responsibility for matters regarding the Indenture or actual knowledge by an officer of the Trustee with responsibility for matters regarding the Indenture or actual knowledge by the County Representative, respectively. Actual knowledge of the information described in clauses (iv) and (v) of Section 2(a) to be included in the Annual Report, shall mean receipt of written notice from the Developer. Actual knowledge of the Listed Events specified by clauses (ii) and (vi) of this Section shall be gained only upon receipt of written notice from the Trustee; and as to clause (vii) of this Section, shall mean receipt by an officer of the Trustee or the County of a letter of Bond Counsel addressed to the Trustee and the County, explicitly pertaining to the Bonds, and providing such opinion or specifying such event and its effect on such tax status.

Section 4. Limitation on Remedies. The County shall be given written notice at the addresses set forth in Section 8 below of any claimed failure by the County to perform its obligations under this Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action.

Section 5. Limitation on Forum. Any suit or other proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Agreement must be filed in the Circuit Court for Montgomery County, Maryland.

Section 6. Limited Liability of County. Any and all obligations of the County arising out of, or related to, this Agreement are special obligations of the County and may not constitute a general obligation debt of the County or a pledge of the County's full faith and credit, and the County's obligations to make any payments hereunder, are restricted entirely to Special Revenues and certain funds held under the Indenture and from no other source. No person, including any Bondholder, shall have any claim against the County or any of its officers, officials, agents or employees for damages suffered as a result of the County's failure to perform in any respect any covenant, undertaking, or obligation under this Agreement, the Bonds or any other agreement, document, instrument or certificate executed, delivered or approved in connection with the issuance, sale and delivery of the Bonds (collectively, the "Bond Documents") or as a result of the incorrectness of any representation in, or omission from, any of the Bond Documents, except to the extent that any such claim relates to any obligation, undertaking, representation or covenant of the County, that is properly payable pursuant to this Agreement, or in accordance with the Bond Documents, provided, however, that, subject to Section 5 and 6 above, nothing contained herein shall be construed to preclude any action or proceeding in any court or before any governmental body, agency or instrumentality against the County or any of its officers, officials, agents or employees to enforce the provisions of this Agreement or any of the Bond Documents.

Section 7. Termination of Reporting Obligation. The obligations under this Agreement shall terminate at such time that the Bonds are no longer Outstanding.

Section 8. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

If to the County:

Montgomery County, Maryland
Executive Office Building
101 Monroe Street
Rockville, Maryland 20850
Attention: Director of Finance

If to the County Representative:

Montgomery County, Maryland
Executive Office Building
101 Monroe Street
Rockville, Maryland 20850
Attention: Debt Manager

If to the Trustee:

Wachovia Bank, National Association
Corporate Trust Department
800 East Main Street, Mezzanine Level
Richmond, Virginia 23219
Attn: James D. Mahone, Trust Officer

If to the Notice Holders:

As designated to the County

Section 9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the owners from time to time of the Bonds, including beneficial owners, and shall create no rights in any other person or entity.

Section 11. Relationship to Bonds. This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds. Any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

Section 12. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

Section 13. Entire Agreement. This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

Section 14. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

Section 15. Governing Law. This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

Date: As of April 1, 2002

WACHOVIA BANK, NATIONAL ASSOCIATION

By:________________________________

MONTGOMERY COUNTY, MARYLAND

By:________________________________

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

Obligor:

Bonds:

Bond Trustee:

Insurance Trustee:

Policy Number:

Premium:

Asset Guaranty Insurance Company ("Insurer"), a corporation organized under the laws of the State of New York, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees the payment of the Obligation (hereinafter defined) to the Insurance Trustee for the benefit of the holders from time to time of the Bonds. This Policy does not insure against any risk other than nonpayment of the Obligation by or on behalf of the Obligor or any other obligor to the Bond Trustee. Nonpayment includes recovery from a holder of Bonds or the Bond Trustee of any portion of the Obligation pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

Upon receipt by the Insurer of telephonic or telegraphic notice, such notice subsequently confirmed to the Insurer in writing by registered or certified mail, from the Insurance Trustee that the Obligor (or other obligor responsible for payment of the Obligation) has failed to provide the Bond Trustee with sufficient funds for payment of the Obligation on the due date, the Insurer shall, not later than such due date or the first business day after receipt of such notice, whichever is later, pay to the Insurance Trustee for the benefit of the holders of the Bonds an amount which shall be sufficient to pay the Obligation, but only upon receipt by the Insurer, in a form reasonably satisfactory to it, of (a) evidence of the Holder's right to receive such payment and (b) evidence, including any appropriate instruments of assignment, that all the Holder's rights with respect to such payment shall thereupon vest in the Insurer. "Due date" means, when referring to the principal of the Obligation, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund prepayment and does not refer to any earlier date on which payment is due by reason of any other call for redemption, acceleration or other advancement of maturity unless the Insurer shall elect, in its sole discretion, to pay such principal due upon such redemption, acceleration or other advancement of maturity together with any accrued interest to the date of redemption, acceleration or other advancement of maturity. Tendering of payment, to the Bond Trustee, of such principal due upon such redemption, acceleration or other advancement of maturity, together with any accrued interest to the date of such redemption, acceleration or other advancement of maturity, shall satisfy the Insurer's obligations under this policy, in full. When referring to interest on the Obligation, "due date" means the stated date for payment of interest.

The Insurer shall, to the extent of any payment made by it pursuant to this Policy, be deemed to have acquired and become the holder of the Bonds or portions thereof or interest thereon paid from such payment and shall be fully subrogated to all rights to payment thereof.

As used herein, the term "holders" means the registered owners of the Bonds as indicated in the registration books maintained by the Bond Trustee for such purpose. As used herein, the term "Bond Trustee" means the Bond Trustee above named and any successor trustee duly appointed. As used herein, the term "Insurance Trustee" means the Insurance Trustee above named and any successor insurance trustee duly appointed. As used herein, the term "Obligation" means the payment of principal and interest regularly scheduled to be paid on the Bonds, which shall have become due for payment but shall be unpaid, but does not include any premium payable with respect to the Bonds, nor any redemption (except mandatory sinking fund redemption), acceleration or other advancement of maturity.

This policy is non-cancelable for any reason. Premiums paid on this policy are not refundable for any reason including without limitation the payment prior to maturity of the Bonds.

IN WITNESS WHEREOF, the Insurer has caused this policy to be issued to the Insurance Trustee for the benefit of the holders from time to time of the Bonds and to be executed and delivered by its duly authorized officer to become effective and binding upon the Insurer by virtue of the execution and delivery thereof on this __day of ________, 200_.

ASSET GUARANTY INSURANCE COMPANY

By: ________________________
Name:
Title:

This policy is not covered by the property/casualty insurance security fund established by Article 76 of the New York Insurance Law.

Form FMLI-0101

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]