

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2009

*\$2,000,000 City of Baltimore, Maryland
Special Obligation Bonds
(Belvedere Square Project)
Series 2003*

Prepared by:

MUNICAP

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ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2009

I.	UPDATED INFORMATION	1
II.	INTRODUCTION	2
III.	DEVELOPMENT ACTIVITY	4
	A. The Development	4
	B. Status of the Development	4
	C. Status of Public Improvements	4
IV.	TRUSTEE ACCOUNTS	6
V.	DISTRICT OPERATIONS	7
	A. The Special Tax Requirement	7
	B. Special Tax Delinquencies	9
	C. Collection Efforts	9
VI.	DISTRICT FINANCIAL INFORMATION	10
	A. Fund Balances	10
	B. Changes to the “Rate and Method of Apportionment” of Special Taxes	10
	C. Changes in Ad Valorem Real Property Taxes	10
	D. Changes in Assessed Valuation	10
	E. Special Tax Levy	10
	F. Collection of Ad Valorem and Special Taxes	11
	G. Principal District Taxpayers	11
	H. Amendments to Land Use Entitlements	12
	I. Tax Information	12
VII.	SIGNIFICANT EVENTS	13
	A. Developer’s Significant Events	13
	B. Listed Events	13

I. UPDATED INFORMATION

Information updated from the annual development activity and disclosure report dated April 24, 2009, is as follows:

- As of December 31, 2009, the developer reports that the redevelopment site work is complete. The developer also reports that the Hochschild Kohn Building is 97 percent leased to tenants, the South Building is 91 percent leased, the Market Building is 100 percent leased to tenants, and the North Building is 95 percent leased. According to the developer, the pad is 100 percent leased.
- Fiscal year 2008-2009 special taxes in the amount of \$96,000 were due in 2008. According to the City of Baltimore, special taxes in the amount of \$96,000 have been collected for fiscal year 2008-2009. As a result, there are no fiscal year 2008-2009 special taxes outstanding at this time.
- Fiscal year 2009-2010 special taxes in the amount of \$80,000 were due on September 30, 2009. As of March 2, 2010, City of Baltimore reports that special taxes in the amount of \$80,000 have been collected for fiscal year 2009-2010. As a result, there are no fiscal year 2009-2010 special taxes outstanding at this time.
- According to the City of Baltimore, ad valorem taxes in the aggregate amount of \$193,395 were to be collected on the parcels in the development for fiscal year 2009-2010. Ad valorem real property taxes were due on September 30, 2009. According to the city, ad valorem real property taxes in the amount of \$193,395 have been collected for fiscal year 2009-2010. As a result, there are no delinquent fiscal year 2009-2010 ad valorem real property taxes outstanding at this time.
- According to the Maryland Department of Assessments and Taxation, the July 1, 2009 aggregate assessed value of the district was \$8,527,100. The July 1, 2008 aggregate assessed value of the district was \$7,771,098. As a result, the assessed value of the district has increased by \$756,002, which represents a 9.73 percent increase.

II. INTRODUCTION

The City of Baltimore Series 2003 Special Obligation Bonds (Belvedere Square Project) were issued pursuant to the provisions of (i) Article II, section (62) of the Baltimore City Charter (1996 Edition), as amended, (ii) Article II, section (62A) of the Baltimore City Charter (1996 Edition), and (iii) an Indenture of Trust by and between the Mayor and City Council of Baltimore, Maryland (the “City”) and Manufacturers and Traders Trust Company, as trustee (the “Trustee”), dated as of September 1, 2003.

The Belvedere Square Development District consists of approximately 5.31 acres, which is located at the intersection of York Road and Northern Parkway in Baltimore, Maryland. The development was expected to include the refurbishing of every building, including painting and new signage. Surface parking was increased while possible roads, sidewalks, landscaping, lighting and common areas were repaired and refurbished to give the development a fresh appearance, to address traffic and parking problems, and to improve circulation to the retail spaces. A site map of the Belvedere Square Development District is provided on page 3.

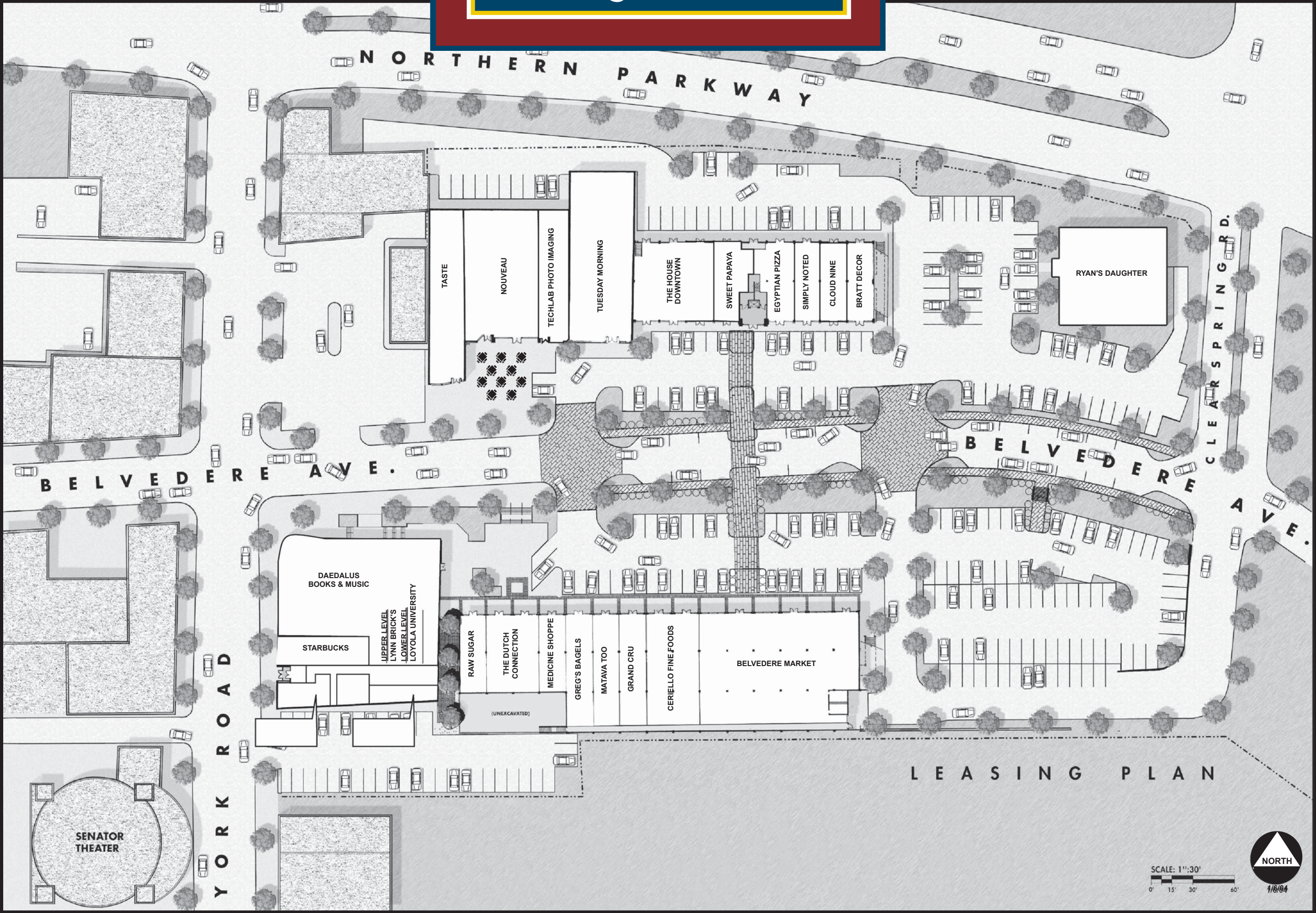
The district was developed by Belvedere Holdings, LLC, a Maryland limited liability company (the “Developer”). The developer acquired the property in the district to redevelop and lease a mixed use commercial and retail center on the site.

A portion of the proceeds of the Series 2003 Bonds were expected to be used to finance costs of a portion of infrastructure improvements located within the district. The public improvements included (i) the acquisition, renovation and development of 282 surface parking spaces and a 78-space structured parking facility, and (ii) the acquisition, construction, renovation and development of other related infrastructure improvements for their intended public purposes.

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

No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of December 31, 2009, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.

BELVEDERE SQUARE



LEASING PLAN

SCALE: 1"=30'



III. DEVELOPMENT ACTIVITY

A. THE DEVELOPMENT

According to the Private Placement Memorandum, the development is located on two parcels of land totaling approximately 5.31 acres. At the time the Series 2003 Bonds were issued, the complete plan for the development had the following components:

Hochschild Kohn Building: The existing health club was expected to stay and expand. Loyola College has leased approximately 10,000 square feet in the former blockbuster space. The second floor of the building was the only space remaining to be leased as of July 2003.

South Building: Greg's Bagels, Tech Lab and Belvedere Cleaners have all remained as tenants. In addition, The Medicine Shoppe and Matava Shoes have been added as new tenants, both of which were expected to open by September 2003.

Market Building: The market is the anchor for the development. At the time the Series 2003 Bonds were issued, the Market Building included the following tenants:

- Atwater's – Fresh baked breads, international cheeses, homemade soups, etc.
- Dutch Connection – Fresh cut flowers, flower arrangements, vases and pottery
- Louise's Bakery – Fresh cakes and baked goods.

North Building: The developer intended to retain the existing office tenants on the second floor, lease vacant second floor office space and add new retail tenants to the ground floor.

Former Chili's Restaurant Building: The developer intended to re-lease the space to another family restaurant operator.

Overall site work: The development was expected to include the refurbishing of every building, including painting and new signage. Surface parking was increased while possible roads, sidewalks, landscaping, lighting and common areas were repaired and refurbished to give the development a fresh appearance, to address traffic and parking problems, and to improve circulation to the retail spaces.

B. THE PUBLIC IMPROVEMENTS

A portion of the proceeds of the Series 2003 Bonds were expected to be used to finance costs of a portion of infrastructure improvements located within the district. The public improvements included (i) the acquisition, renovation and development of 282 surface parking spaces and a 78-space structured parking facility, and (ii) the acquisition, construction, renovation and development of other related infrastructure improvements for their intended public purposes.

As of December 31, 2009, the developer reports that the public improvements to be funded with the Series 2003 Bonds are complete and operational.

C. STATUS OF THE DEVELOPMENT

Status of Construction

The development was expected to include the refurbishing of every building, including painting and new signage. Surface parking was expected to be increased while possible roads, sidewalks, landscaping, lighting and common areas were anticipated to be repaired and refurbished to give the development a fresh

appearance, to address traffic and parking problems, and to improve circulation to the retail spaces.

As of December 31, 2009, the developer reports that the redevelopment site work is complete. The developer also reports that the Hochschild Kohn Building is 97 percent leased to tenants, the South Building is 91 percent leased, the Market Building is 100 percent leased to tenants, and the North Building is 95 percent leased. According to the developer, the pad is 100 percent leased. Table III-1 below shows the status of tenant leasing of the buildings within the development as reported by the developer as of December 31, 2009.

Table III-1
Status of Leasing

Building	Percent Leased
Hochschild Kohn Building	97%
South Building	91%
Market Building	100%
North Building	95%
Pad	100%

Status of Leasing

The following is a list of current tenants in the Belvedere Square Development District.

Market/Restaurants

Atwater's Bakery
 Bon Bon's Ice Cream
 Ceriello Fine Foods
 Earth's Essence
 Egyptian Pizza
 Grand Cru
 Greg's Bagels
 Neopol
 Planet Produce
 The Peanut Shoppe
 Ryan's Daughter
 Taste

Shops/Services

Bratt Décor
 Cloud 9 Clothing
 Daedalus Books & Music
 The Dutch Connection
 The House Downtown
 Matava Too
 The Medicine Shoppe
 Nouveau Contemporary Goods
 Raw Sugar
 Simply Noted
 Sweet Papaya
 Tech Lab Photo Imaging
 Tuesday Morning

Offices

Traditional Acupuncture
 New Pathways
 Advanced Medical
 Allstate
 Loyola Clinical Centers

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2003 Bonds is Manufacturers and Traders Trust Company. The balance at December 31, 2008, subsequent interest paid, disbursements, additional proceeds, and account balances for the Debt Service Fund as of December 31, 2009 are shown by the following table:

Table IV-1
Account Balances

Fund	Balance 12/31/08	Interest Paid	Additional Proceeds	Disburse- ments	Balance 12/31/09
Debt Service Fund	\$32	\$0	\$188,978	\$189,010	\$0

The additional proceeds to the Debt Service Fund include transfers of TIF revenues and special tax collections from the City of Baltimore for the payment of debt service on the Series 2003 Bonds.

According to the Trust Indenture dated September 1, 2003, investment income on the Debt Service Fund will be used for the payment of the principal or redemption price of or interest on the Series 2003 Bonds.

Table IV-2
Rate of Return

Account	Rate of Return
Debt Service Fund	0.0%

V. *DISTRICT OPERATIONS*

A. SPECIAL TAX REQUIREMENT

Special taxes are to be levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax for each parcel such that the total special tax levied is equal to the special tax requirement. The special tax requirement is generally equal to (i) annual debt service, (ii) administrative expenses, less (iii) tax increment revenues, (iv) proceeds in the capitalized interest account, and (v) any other revenues available to apply against the special tax requirement.

Table V-1 below provides a summary of the special tax requirement for fiscal year 2009-2010. Tax increment revenues will not be sufficient to pay debt service on the bonds and administrative expenses for fiscal year 2009-2010. As a result, special taxes equal to \$80,000 will have to be collected for fiscal year 2009-2010. Each of these numbers is explained in the following sections.

Debt Service

Debt service includes the interest payments due on March 1, 2010 and September 1, 2010. Each semi-annual interest payment is \$62,405, which is equal to an annual coupon interest of 7.0 percent on the outstanding principal balance of \$1,783,000. A principal payment of \$64,000 is due on September 1, 2010. As a result, total debt service is total \$188,810.

Table V-1
Special Tax Requirement
Fiscal Year 2009-2010

Debt service:	
Interest on March 1, 2010	\$62,405
Interest on September 1, 2010	\$62,405
Principal on September 1, 2010	\$64,000
<i>Sub-total debt service</i>	\$188,810
Administrative expenses	\$10,000
Contingency	\$10,078
<i>Total expenses</i>	\$208,888
Tax increment revenues	(\$125,527)
Surplus from prior year	(\$3,361)
<i>Special Tax Requirement</i>	\$80,000

Administrative Expenses

Administrative expenses include the trustee, the administrator, and the expenses of the city related to the district. The annual charges of the trustee are estimated to be \$4,000. The fees and expenses of the administrator are estimated to be \$6,000. Accordingly, total administrative expenses are estimated at \$10,000.

Contingency

A contingency, equal to approximately five percent of annual debt service plus an additional amount to round the special tax requirement to the nearest thousand has been added in case there are unanticipated expenses or tax payment delinquencies.

Tax Increment Revenues

The assessed value of taxable property in the tax increment district for the base year was equal to \$2,992,400. The assessed value of the taxable property in the district for fiscal year 2009-2010 is equal to \$8,527,100. The incremental assessed value is, therefore, equal to \$5,534,700 (\$8,527,100 - \$2,992,400 = \$5,534,700)

**Table V-2
Tax Increment Revenues
Fiscal Year 2009-2010**

Lot	Base Year Assessed Value	Phased-in Assessed Value	Incremental Assessed Value	Estimated City Property Tax Rate	Estimated Tax Increment Revenues
16	\$1,367,500	\$3,729,500	\$2,362,000	\$2.268 (<i>per \$100 AV</i>)	\$53,570
19	\$1,624,900	\$4,797,600	\$3,172,700		\$71,957
Total	\$2,992,400	\$8,527,100	\$5,534,700		\$125,527

The real property tax rate for the City of Baltimore in fiscal year 2008-2009 was \$2.268 per \$100 of assessed value. There has been no change to the city real property tax. As a result, the estimated real property tax rate for fiscal year 2009-2010 is equal to \$2.268 per \$100 of assessed value. Accordingly, based on the incremental assessed value in the district and the real property tax rate, the tax increment revenues are estimated to be equal to \$125,527.

Surplus from Prior Year

Table V-3 below outlines the surplus from the prior year that may be applied to pay debt service and administrative expenses for fiscal year 2009-2010. The special tax requirement for fiscal year 2008-2009 was \$96,000. An additional \$108,381 in tax increment revenues were also expected to be generated for the fiscal year 2008-2009. These funds together with surplus revenues in the amount of \$5,251 were budgeted for the fiscal year 2008-2009. Tax increment revenues and special tax revenues are deposited into the tax increment fund and special tax fund, respectively. These two funds are held in trust by the city for the benefit of bond holders. According to the trust indenture, on each February 1 and August 1 (with respect to payments of principal of and interest on the Bonds on the immediately succeeding Interest Payment Date) and on any date required for the payment of any other obligations relating to the Development District and the Special Taxing District, the city shall withdraw, first from the tax increment fund and, then, to the extent amounts in the tax increment fund are insufficient therefore, from the special tax fund.

On March 1, 2009, \$64,473 in tax increment revenues was transferred by the city to the trustee to pay the March 1, 2009 debt service. Administrative expenses in the amount of \$7,293 for the fiscal year have also been paid with funds collected during FY08-09. Accordingly, total funds expended through May 31, 2009 are equal to \$71,765. It is expected that the balance of the special taxes and TIF revenues in the amount of \$137,866 (\$96,000 + \$108,381 + \$5,251 - \$71,765 = \$137,866) will be transferred to the trustee prior to the September 1, 2009 debt service payment. A portion of these funds will be made available to pay debt service on the bonds on September 1, 2009, which consists of an interest payment of \$64,505 and a principal payment of \$60,000. Administrative expenses for fiscal year 2008-2009 in the amount of \$10,000 will also be funded with apportion of these proceeds. This portion will be retained by the city as reimbursement for expanses that have already been paid and also pay the balance of fiscal year 2008-2009 administrative expenses. Accordingly, the balance of these funds in the amount of \$3,361 (\$137, 866 - \$124,505 -10,000 = \$3,361) will be made available to pay debt service for fiscal year 2009-2010.

Table V-3
Surplus from Prior Year

FY08-09 budget	
Special taxes	\$96,000
Tax increment revenues	\$108,381
Surplus from prior year	\$5,251
Less funds transferred to the trustee	(\$71,765)
<i>Total funds available for FY08-09 budget</i>	<i>\$137,866</i>
September 1, 2009 debt service payment	(\$124,505)
Annual administrative expenses budget	(\$10,000)
<i>Balance of FY08-09 expenses</i>	<i>(\$134,505)</i>
Surplus from prior year	\$3,361

Summary

Aggregate period debt service and administrative expenses are estimated to be equal to \$208,888. Funds available to pay these expenses, other than special taxes, are estimated to be \$128,888, resulting in a special tax requirement of \$80,000.

B. SPECIAL TAX DELINQUENCIES

Fiscal year 2008-2009 special taxes in the amount of \$96,000 were due in 2008. According to the City of Baltimore, special taxes in the amount of \$96,000 have been collected for fiscal year 2008-2009. As a result, there are no fiscal year 2008-2009 special taxes outstanding at this time.

Fiscal year 2009-2010 special taxes in the amount of \$80,000 were due on September 30, 2009. As of March 2, 2010, City of Baltimore reports that special taxes in the amount of \$80,000 have been collected for fiscal year 2009-2010. As a result, there are no fiscal year 2009-2010 special taxes outstanding at this time.

C. COLLECTION EFFORTS

There are no collection efforts currently underway at this time.

VI. DISTRICT FINANCIAL INFORMATION

The information provided in this section is to meet the requirements for the annual report as provided for in Section 2(a) of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

All information in this section is provided as of December 31, 2009, unless otherwise stated.

A. FUND BALANCES

The fund balances in all of the funds and accounts, as of December 31, 2009, provided for in the Indenture of Trust are included in Table IV-1 of Section IV, "Trustee Accounts," of this report.

B. CHANGES TO THE "RATE AND METHOD OF APPORTIONMENT" OF SPECIAL TAXES

As of December 31, 2009, there have been no changes to the Rate and Method of Apportionment of Special Taxes for the Belvedere Square Special Taxing District.

C. CHANGES IN THE AD VALOREM REAL PROPERTY TAX RATES

The real property tax rate for the City of Baltimore in fiscal year 2009-2010 is \$2.268 per \$100 of assessed value, which is the same as the previous fiscal year.

D. CHANGES IN THE ASSESSED VALUATION

Table VI-1 below presents the changes in the assessed value of the individual parcels from July 1, 2008 to July 1, 2009. According to the Maryland Department of Assessments and Taxation, the July 1, 2009 aggregate assessed value of the district was \$8,527,100. The July 1, 2008 aggregate assessed value of the district was \$7,771,098. As a result, the assessed value of the district has increased by \$756,002, which represents a 9.73 percent increase.

Table VI-1
Assessed Values

Lot	2008-2009 Assessed Value	2009-2010 Assessed Value	Percent Increase
27-54-5133-016	\$3,489,732	\$3,729,500	6.87%
27-54-5134-019	\$4,281,366	\$4,797,600	12.06%
Total	\$7,771,098	\$8,527,100	9.73%

E. SPECIAL TAXES LEVY

Fiscal year 2008-2009 special taxes in the amount of \$96,000 were due in 2008. According to the City of Baltimore, special taxes in the amount of \$96,000 have been collected for fiscal year 2008-2009. As a result, there are no fiscal year 2008-2009 special taxes outstanding at this time.

Special taxes in the amount of \$80,000 were due in 2009. According to the City of Baltimore, special taxes in the amount of \$80,000 have been collected for fiscal year 2009-2010. Table VI-2 on the following page shows the special taxes collected and due on each parcel within the district for fiscal years 2008-2009 and 2009-2010.

Table VI-2
Special Tax Levy

Lot	2008-2009 Special Taxes Collected	2008-2009 Special Taxes Due	2009-2010 Special Taxes Collected	2009-2010 Special Taxes Due
27-54-5133-016	\$36,025	\$0	\$30,822	\$0
27-54-5134-019	\$59,975	\$0	\$49,178	\$0
Total	\$96,000	\$0	\$80,000	\$0

The complete Special Tax Report for fiscal year 2009-2010, is included in Section V, “District Operations,” of this report.

F. COLLECTION OF AD VALOREM AND SPECIAL TAXES

According to the City of Baltimore, ad valorem taxes in the aggregate amount of \$193,395 were to be collected on the parcels in the development for fiscal year 2009-2010. Ad valorem real property taxes were due on September 30, 2009. According to the city, ad valorem real property taxes in the amount of \$193,395 have been collected for fiscal year 2009-2010. As a result, there are no delinquent fiscal year 2009-2010 ad valorem real property taxes outstanding at this time.

Special taxes in the amount of \$80,000 were levied in fiscal year 2009-2010 for collection in 2009. According to the City of Baltimore, special taxes in the amount of \$80,000 have been collected for fiscal year 2009-2010. As a result, there are no delinquent fiscal year 2009-2010 special taxes outstanding at this time.

Table VI-2 below depicts the 2009-2010 ad valorem and special taxes due on each parcel, the total tax due, the aggregate amount of taxes collected and the percentage of delinquent taxes.

Table VI-2
Tax Collections and Delinquencies

Lot	Owner	2009-2010 Ad Valorem Tax	2009-2010 Special Tax	Total Tax	Amount Collected	Percent Delinquent
16	Belvedere Holdings, LLC	\$84,585	\$30,822	\$115,408	\$115,172	0.0%
19	Belvedere Holdings, LLC	\$108,810	\$49,178	\$157,987	\$157,076	0.0%
	Total	\$193,395	\$80,000	\$273,395	\$272,249	0.0%

G. PRINCIPAL DISTRICT TAXPAYERS

The total amount of ad valorem real property taxes on the district in fiscal year 2009-2010 was \$193,395. Based on the City of Baltimore’s tax records, Belvedere Holdings, LLC owns two parcels in the district. For fiscal year 2009-2010, Belvedere Holdings, LLC was responsible for payment of \$193,395 in ad valorem real property taxes, representing 100 percent of the ad valorem taxes to be collected on the district.

The total amount of special taxes on the district in fiscal year 2009-2010 was \$80,000. For fiscal year 2009-2010, Belvedere Holdings, LLC was responsible for payment of \$80,000 in special taxes, representing 100 percent of the special taxes to be collected on the district.

Table VI-3 on the following page depicts a listing of each taxpayer responsible for payment of more than five percent of the levy of ad valorem real property taxes or special taxes in fiscal year 2009-2010, the amount of ad valorem real property taxes and special taxes against such taxpayers and the percentage of such ad valorem real property and special taxes relative to the entire levy of ad valorem real property taxes and special taxes within the district.

Table VI-3
Principal District Taxpayers

Lot	Owner	2009-2010 Ad Valorem Tax	2009-2010 Special Tax	Total Tax	Percent of Total
27-54-5133-016	Belvedere Holdings, LLC	\$84,585	\$30,822	\$115,408	42.2%
27-54-5134-019	Belvedere Holdings, LLC	\$108,810	\$49,178	\$157,987	57.8%
Total		\$193,395	\$80,000	\$273,395	100.0%

H. AMENDMENTS TO LAND USE ENTITLEMENTS

As of December 31, 2009, there have been no significant amendments to land use entitlements or legal challenges related to the project.

I. DEBT SERVICE COVERAGE

Table IV-5 depicts the estimated debt service coverage for fiscal years 2008-2009 and 2009-2010.

Table VI-5
Debt Service Coverage

Account/Type	Fiscal Year 2008-2009	Fiscal Year 2009-2010
Debt Service: (Bond Year Ending July 1)		
Interest on March 1, 2008	\$64,505	\$62,405
Interest on September 1, 2008	\$64,505	\$62,405
Principal on September 1, 2008	\$60,000	\$64,000
Sub-total debt service	\$189,010	\$188,810
Base Year Assessed Value	\$2,992,400	\$2,992,400
Phased-in Assessed Value	\$7,771,098	\$8,527,100
Increase in Assessed Value	\$4,778,698	\$5,534,700
City Tax Rate	\$2.268	\$2.268
Tax Property Increment	\$108,381	\$125,527
Debt Service Coverage	57.3%	66.5%
Special Tax Levied	\$96,000	\$80,000
Debt Service Coverage	50.8%	42.4%
Aggregate Debt Service Coverage	108.1%	108.9%
Adjusted Maximum Special Tax	\$116,619	\$99,473
Debt Service Coverage	119.0%	119.2%
Note: Special taxes may only be levied to the extent necessary to pay debt service after taking into account tax increment revenues.		

VII. SIGNIFICANT EVENTS

A. DEVELOPER'S SIGNIFICANT EVENTS

According to the continuing disclosure agreement, developer significant events include the following:

- (i) failure to pay any real property taxes (including the special taxes) levied within the district on a parcel owned by the developer or any affiliate thereof;
- (ii) material damage to or material destruction of any project or improvements within the district owned by the developer;
- (iii) the filing by or against the developer or any affiliate thereof, or any member of the developer or any owners of more than 25 percent interest in the developer of any petition or other proceedings under any bankruptcy, insolvency or similar law or any determination that the developer or an owner of interest in the developer or a subsidiary of the developer or any affiliate thereof is unable to pay its debts as they become due; and
- (iv) the filing of any lawsuit with claim for damages in excess of \$1,000,000 against the developer which may adversely affect the completion of the project or the construction of the project or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the developer or any affiliate of the developer who owns property in the district.

Inquiries have been made with Belvedere Holding Company, LLC regarding the occurrence of any significant event and they have reported that to their knowledge, no significant events have occurred as of December 31, 2009.

B. LISTED EVENTS

Significant events generally include the following:

- (i) delinquency in payment when due of any principal of or interest in the bonds;
- (ii) occurrence of any material 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 rating, if any, on the bonds;
- (vii) the release or substitution or property securing repayment of the bonds; or
- (viii) the continuing disclosure event notices provided to the administrator by the developer as more particularly set forth in the developer's Continuing Disclosure Agreement so long as the developer owns property in the district.

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