ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

$7,877,000 City of Baltimore, Maryland
Special Obligation Bonds
(Clipper Mill Project)
Series 2004

Prepared by:

MUNICAP

May 15, 2009

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

I. UPDATED INFORMATION

Information updated from the period ending December 31, 2007 through the period ending December 31, 2008 is as follows:

- As of December 31, 2008, the developer reports that time extensions were issued on four building permits. An additional 96 building permits and nine occupancy permits were issued for the Overlook Clipper Homes in the southwest section of the site.

- As of December 31, 2008, the developer reports an amendment to the Clipper Mill Planned Unit Development (PUD). The amendment, as approved by the Baltimore City Planning Commission on June 26, 2008, allows for outdoor seating and table service by Woodberry Kitchen on the plaza outside of Woodberry Kitchen and at the pool. According to the developer, the amendment also allows for parking on the lot between the Tractor and Stable Buildings.

- As of December 31, 2008, the developer reports a decision was made to eliminate the proposed eight Townhouse Type B units from the development plan resulting in an increase the number of Duplex Type C units to 38 from 32 that were previously planned.

- As of December 31, 2008, the developer reports the development of 38 semi-detached house lots, Duplex Type C is underway. These lots are located in the southwest section of the Clipper Mill district, which is referred to as Clipper Overlook.

- As of December 31, 2008, the developer reports ten Duplex Type C homes were sold at Clipper Overlook. Lot 40 (Clipper Overlook), the location of Duplex Type C units, was transferred from Clipper Redevelopment, LLC to Clipper for Sale, LLC.

- As of December 31, 2008, the developer reports the development program for the Tractor Building has changed. The Tractor Building will now consist of one level of parking, 67 apartments and 30,000 square feet of office space. At the time of issuance, the Tractor Building was to be 27 three-story townhouse condominiums inside the shell of the existing building.

- As of December 31, 2008, the developer reports that $5,442,877 has been expended for the construction of the public improvements, representing 98.9 percent of the budgeted funds.

- As of December 31, 2008, BB&T has replaced Bank of America as the construction lender for the Clipper Overlook portion of the Clipper Mill project.

- The developer reports Baltimore City completed the final inspection of the public improvements in the northeast section of the development during the second quarter of 2008 and found the work to be satisfactorily completed. As of December 31, 2008, Baltimore City is working to issue a final letter accepting the public improvement in the northeast section so that the payment and performance bond can be released and the improvements can be deeded to Baltimore City.

- Based on the City of Baltimore's tax records, the fiscal year 2008-2009 assessed value of the development was $31,051,681, as compared to $23,999,880 for fiscal year 2007-2008. Accordingly, the assessed value of the development increased by $7,051,801. This represents a 29.4 percent increase from fiscal year 2007-2008 to fiscal year 2008-2009.

- The real property tax rate for the City of Baltimore in fiscal year 2008-2009 is $2.268 per $100 of assessed value, which is the same as the previous fiscal year.

- Projected ad valorem property taxes in the amount of $704,252 were levied on the property within the district in fiscal year 2008-2009. Tax credits in the amount of $209,279 were given to property owners. As a result, real property due for collections was $494,973. According to the City of Baltimore tax records, as of March 17, 2009 ad valorem real property taxes in the amount of $469,446 have been collected in the District. This represents 94.84 percent of taxes to be collected.

- Special taxes in the amount of $85,000 were levied for fiscal year 2008-2009. For commercial property, special taxes are due on September 30. Special taxes levied on residential owner occupied property are due September 30th and December 31st.

- As of March 17, 2009, the City of Baltimore reports there are delinquent special taxes outstanding for fiscal year 2008-2009 in the amount of $7,682.21. Delinquent special taxes represent 9.04 percent of total special taxes levied and 1.41 percent of debt service for fiscal year 2008-2009. The special taxes due are scheduled for tax sale as of May 18, 2009.

II. INTRODUCTION

The City of Baltimore Series 2004 Special Obligation Bonds (Clipper Mill Project) were issued pursuant to the provisions of Article II, section (62) of the Baltimore City Charter (1996 Edition), as amended, and Article II, Section (62A) of the Baltimore City Charter (1996 Edition), as amended, and an Indenture of Trust by and between the Mayor and City Council of Baltimore, Maryland and Manufacturers and Traders Trust Company, as trustee, dated as of April 1, 2004.

Clipper Mill is a mixed-use project to be developed on an approximately 17.17-acre site located in north central Baltimore, Maryland in the Jones Falls Valley between Clipper Road, Parkdale Avenue, Druid Park Drive and Druid Hill Park. The complex was listed on the National Register of Historic Places in 1972 due to its past significance as Maryland's largest machine manufacturing plant and the continued existence of most of its major buildings. The five existing buildings on the site, built between 1856 and 1916, will be renovated to new uses and the developer will construct a new apartment building and 74 new single-family homes.

The bond proceeds will be used to construct a variety of public improvements consisting of the construction, renovation, and paving of roads and alleys, including the installation of curbs, gutters and sidewalks, the construction and renovation of sewer and drainage improvements; demolition of a non-historic portion of the Tractor Building in order to build Clipper Park Road; and the acquisition, construction, renovation and development of other related public infrastructure improvements that are necessary for the intended use of the development.

The 2004 Bonds will be secured by the proceeds of tax collections arising from the taxation of the increase, if any, in the assessed value of real property subject to taxation located in the Clipper Mill Development District since January 1, 2002 exclusive of amounts payable to the State of Maryland and, to the extent the Tax Increment Revenues are insufficient, the special tax to be levied on the taxable parcels within the Clipper Mill Special Taxing District. The special tax shall be levied in any given year only if the tax increment revenues are insufficient to cover debt service on the 2004 Bonds, pay administrative costs related to the 2004 Bonds and the district or maintain certain finds under the indenture. The special tax is expected to be levied in the district for the fiscal years ending June 30, 2007 through June, 2010, inclusive. The 2004 Bonds are also secured by certain funds held by the trustee under the indenture and certain other amounts pledged by the city.

Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is not required for the Series 2005 bonds. However, the administrator has agreed to provide an annual report. This report is provided pursuant to this agreement. The annual development activity and disclosure report is being provided pursuant to continuing disclosure agreement between MuniCap, the Mayor and City of Baltimore, and Wachovia Bank, National Association. This report is not provided pursuant to Rule 15c2-12.

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, 2008, 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.

III. DEVELOPMENT ACTIVITY

A. THE DEVELOPMENT

Clipper Mill will be a mixed-use community with a distinctive combination of historic buildings and new construction, located in a wooded stream valley adjacent to urban amenities. The design approach preserves the strong image of the land and historic buildings, and provides new construction that is compatible with the historic character of the site. The existing buildings feature soaring spaces and massive structure, which will continue to be visible in the conversion to new uses. They will be renovated in accordance with National Park Service standards so that they will be eligible for state and federal historic tax credits. The variety of uses on the site will provide a unique asset to the community with its varied housing types, opportunities for transit use, recreational amenities and the opportunity to live and work on the site.

Due to requirements of different financing sources, the developer will implement the project as three separate development projects: the Certified Historic Project, the Mill Race Project and the Phase II Project. The public improvements in the northeast section of the site will provide access and utility service to the Certified Historic Project, the Mill Race Project and all of the Phase II Project except for 40 for-sale homes. The public improvements in the southwest section support those remaining 40 home sites.

The Certified Historic Project includes the renovation of the Foundry, Artisan and Assembly Buildings in conformance with National Park Service standards, rendering the project eligible for state and federal historic tax credits. The Maryland Historical Trust and National Park Service have approved the developer's proposed renovation of these three buildings.

The Mill Race Project will consist of a single newly constructed building housing 84 rental apartments. At the time of issuance, the developer was involved in a process to engage a property management firm that would also have an ownership interest in the Mill Race Apartments.

The Phase II Project will include the construction of 74 single-family homes and the redevelopment of the Tractor and Stable Buildings. The "Phase II" reference relates to a physical section of the site rather than timing of the development. The Maryland Historical Trust and National Park Service have approved the developer's proposed renovation of the Tractor and Stable Buildings.

B. STATUS OF THE DEVELOPMENT

(i.) Building Construction and Lot Sales

The developer reports that the private and public site improvements were completed for the following structures at the end of first quarter 2008: Poole & Hunt Building, Millrace Condominiums, Foundry Building, Assembly Building and Stable Building. No work has begun on the Tractor Building.

As of December 31, 2008, the developer reports the development program for the Tractor Building has changed. The Tractor Building will now consist of one level of parking, 67 apartments and 30,000 square feet of office space. At the time of issuance, the Tractor Building was to be 27 three-story townhouse condominiums inside the shell of the existing building.

The developer reports a decision was made to eliminate the proposed eight Townhouse Type B units from the development plan and to increase the number of Duplex Type C units to 38 from 32 that were previously planned. As of December 31, 2008, the developer reports the development of 38 semi-detached house lots, Duplex Type C is underway. These lots are located in the southwest section of the Clipper Mill district, which is referred to as Clipper Overlook.

Table III-1 presents the revised development schedule for the site, as reported by the developer on December 31, 2008.

Table III-1
Development Status and Schedule

Development	Use	Construction Start		Construction Completion	
		LOM	Revised	LOM	Revised
Foundry Building	Artisan/Office	Jun-03	Jun-03	Feb-04	Oct-04
Poole & Hunt Building	Artisan/Office	May-04	Oct-04	Dec-04	Aug-05
Assembly Building	36 Apartments and 12,000 SF Office Space	Jul-04	Nov-04	Jul-05	Dec-05
Millrace Condominiums	62 Condominium Units	Feb-04	Apr-04	Feb-05	Sep-05
Townhouse Type A	34 Townhouses	May-04	Apr-05	Dec-05	Dec-05
Townhouse Type B	8 Townhouses	Apr-05		ELIMINATED	
Duplex Type C	32 Duplexes	Apr-05	Dec-06		Jun-10
Tractor Building	67 Apartments and 30,000 SF Office Space	Jan-05	Jun-06	Jan-06	Dec-10
Stable Buildings	Office	Jan-05	Dec-04	Fall-05	Sep-05

As of December 31, 2008, ten Duplex Type C homes were sold at Clipper Overlook. Lot 40 (Clipper Overlook), the location of Duplex Type C units was transferred from Clipper Redevelopment, LLC to Clipper for Sale, LLC.

The developer reports that lots 2 through 35 have been sold by The Ryland Group, Inc. to third party homebuyers. As a result, all Townhouse Type A units have been settled. As of December 31, the developer reports all 62 Millrace Condominiums have been sold to homebuyers.

Table III-2 presents the units sold, as reported by the developer on December 31, 2008.

Table III-2
Units Sales

Building	Projected Units	Units Sold	Units Settled
Millrace Condominiums	62	62	62
Townhouse Type A	34	34	34
Duplex Type C	38	10	10
Total	**134**	**106**	**106**

(ii.) Leasing Status

As of December 31, 2008, the developer reports that leases have been signed for 143,208 square feet of the 241,300 available square feet, which represents approximately 59 percent of the estimated leaseable space for the Clipper Mill development.

Table III-3 on the following page presents the leasing status, as reported by the developer on December 31, 2008.

Table III-3
Leasing Status

Building	Section	Total SF	Use	Leased SF	Percent Leased
Foundry Building	NE	51,000	Artisan/Office	51,000	100%
Poole & Hunt Building	NE	39,800	Artisan/Office	38,208	96%
Assembly Building	NE	12,000	Office	12,000	100%
Assembly Building	NE	39,000	36 Apartments	34,320	88%
Tractor Building	NE	30,000	Office	0	0%
Tractor Building	NE	62,000	67 Apartments	0	0%
Stables Building	NE	7,500	Office	7,500	100%
Total		**241,300**		**143,028**	**59%**

(iii.) Status of Financing

As of December 31, 2008, the Tractor Building will consist of one level of parking, 67 apartments and 30,000 square feet of office space. The developer is working to locate both equity and debt for the Tractor Building, which has become more difficult as a result of the economy.

As of December 31, 2008, BB&T has replaced Bank of America as the construction lender for the Clipper Overlook portion of the Clipper Mill project.

Table III-4 on the following pages shows the financers for each of the buildings as of December 31, 2008.

Table III-4
Construction Lender

Building	New or Existing	Section	Total SF	Builder	Financing
Certified Historic Project					
Foundry Building	Existing	NE	51,000	SBER	B of A/Wachovia
Poole & Hunt Building	Existing	NE	39,800	SBER	B of A/Wachovia
Stables Building	Existing	NE	7,500	SBER	B of A/Wachovia
Assembly Building	Existing	NE	51,000	SBER	B of A/Wachovia
The Mill Race Project					
Millrace Condominiums	New	NE	77,000	SBER	BB&T
Phase II					
Townhouse Type A	New	NE	34 units	Ryland	BB&T - land development
Townhouse Type B	ELIMINATED				
Duplex Type C	New	SW	38 units	SRH	BB&T - land development
Tractor Building	Existing	NE	92,000	SBER	BB&T - land development

C. GOVERNMENTAL BUILDING PERMITS

As of December 31, 2008, the developer reports that time extensions were issued on four building permits. An additional 96 building permits and nine occupancy permits were issued for the Overlook Clipper Homes in the southwest section of the site.

As of December 31, 2008, the developer reports an amendment to the Clipper Mill Planned Unit Development (PUD). The amendment, as approved by the Baltimore City Planning Commission on June 26, 2008, allows for outdoor seating and table service by Woodberry Kitchen on the plaza outside of Woodberry Kitchen and at the pool. According to the developer, the amendment also allows for parking on the lot between the Tractor and Stable Buildings.

As of December 31, 2008, the developer reports the National Park Service has reviewed Amendment #5 to Part 2 of the application for the Tractor Building. The National Park Service has determined that the project, as modified by the treatments described, is in conformance with the Secretary of the Interior's Standards for Rehabilitation and with the preliminary approval issued by the office on January 6, 2004. A formal "certification of rehabilitation" can be issued only to the owner or qualified lessee of a "certified historic structure" after the rehabilitation work is completed.

D. THE PUBLIC IMPROVEMENTS

At the time of bond issuance, the site had no existing internal roads or utilities that were of sufficient capacity or condition to support the proposed development. A new main drive, Clipper Park Road, will provide two major vehicular entrances for the site. Three secondary roads, Foundry Mews, Balmar Mews and Woodberry Avenue, branch off from the main drive to create access for new home sites. Three alleys provide access to garages at the rear of Townhouse Type A. The public improvements will include new subsurface utilities located under the new streets connecting each of the five existing buildings and to each of the new housing lots. Additional secondary roads with utilities will branch off Woodberry Avenue to provide access to the housing lots located in the southwest section of the site.

The public improvements include the following public infrastructure improvements constructed in accordance with all required city approvals (all sizes approximate):

(i) the construction and renovation of roads and alleys, including paving and the installation of curbs, gutters and sidewalks;

(ii) the installation of:

a. 3,650 feet of water mains;
b. 3,400 feet of sanitary sewer facilities;
c. 2,700 feet of storm drainage systems; and
d. 3,000 feet of city-owned duct bank;

(iii) demolition of a non-historic portion of the Tractor Building that is located in the right-of-way for Clipper Park Road; and

(iv) the acquisition, construction renovation and development of other related public infrastructure improvements that are necessary for the completion of these infrastructure improvements for their intended public purposes.

E. STATUS OF PUBLIC IMPROVEMENTS

As Of December 31, the developer reports that $5,442,877 has been expended for the construction of the public improvements, representing 98.9 percent of the allotted funds.

The developer reports Baltimore City completed the final inspection of the public improvements in the northeast section of the development during the second quarter of 2008 and found the work to be satisfactorily completed. As of December 31, 2008, Baltimore City is working to issue a final letter accepting the public improvement in the northeast section so that the payment and performance bond can be released and the improvements can be deeded to Baltimore City.

Table III-5 on the following page provides a revised budget of the planned expenditures as of December 31, 2008.

<u>Table III-5</u>
Project Budget and Expenditures for Public Improvements

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Acquisition	$354,000	$0	$354,000	$261,117	73.7%
Roads	$2,729,526	$0	$2,729,526	$2,721,733	99.7%
Utilities	$2,233,249	$0	$2,233,249	$2,226,872	99.7%
Design & Consulting	$219,591	$0	$219,591	$162,468	73.9%
City Inspection Fees	$250,108	$0	$250,108	$250,108	100.0%
Payment & Performance Bond	$30,381	$0	$30,381	$30,381	100.0%
Contingency	$330,842	$87,916	$418,758	$418,758	100.0%
Development Mgmt Fee	$307,385	$0	$307,385	$0	0.0%
Total Eligible Costs	$6,455,082	$87,916	$6,542,998	$6,071,437	94.1%
Less Other Funds	($955,082)	($87,916)	($1,042,998)	($628,560)	65.8%
Total Bond Funded Costs	**$5,500,000**	**$0**	**$5,500,000**	**$5,442,877**	**98.9%**

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2004 Bonds is Manufacturers and Traders Trust Company. The balance at December 31, 2007, subsequent interest paid, disbursements, additional proceeds, and account balances for each fund as of December 31, 2008 are shown by the following table:

Table IV-1
Account Balances

Fund	Balance 12/31/07	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/08
Improvement Fund	$82,621	$416	$0	$83,037	$0
Reserve Fund	$787,746	$23,503	$0	$23,546	$787,703
Debt Service Fund	$13,014	$804	$478,359	$492,313	$0
Total	$883,381	$24,723	$478,359	$598,896	$787,703

- Additional proceeds to the Debt Service Fund are receipts of TIF revenues and special taxes from the City and transfers from the Reserve Fund for the payment of debt service.
- Disbursements from the Improvement Fund are payments to the developer for funds allocated to the cost of constructing the public improvements.
- Disbursements from the Debt Service Fund are for payment of debt service.

The interest paid through December 31, 2008 does not include interest accrued but not yet paid. Bond proceeds in the Reserve Fund are invested in an Aegon Investment Agreement earning 3.00 percent. The table below shows the average rate of return on the investments in each fund or account.

Investment income in the Debt Service Fund will be used for the payment of principal, interest and premium on the Bonds. Investment income in the Reserve Fund will be used to secure the debt service requirement by transfers to the Debt Service Fund to the extent necessary to make good any deficiency. Investment income in the Improvement Fund will be used first for the development of the project.

Table IV-2
Average Investment Rate of Return

Account	Rate of Return
Reserve Fund	3.00%

V. DISTRICT OPERATIONS

A. THE SPECIAL TAX REPORT

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.) interest income on reserve fund held by the trustee.

Table V-1 provides a summary of the special tax requirement for fiscal year 2008-2009. Tax increment revenues and investment earnings on debt service reserve fund will not be sufficient to pay debt service on the bonds and administrative expenses for fiscal year 2008-2009. Accordingly, special taxes in the amount of $85,000.00 will have to be collected for fiscal year 2008-2009. Each of these numbers is explained in the following sections.

Debt Service

Debt service includes the interest payments due on March 1, 2009 and September 1, 2009. Each semi-annual interest payment is $246,156.25, which is equal to an annual coupon interest of 6.25% on the outstanding principal balance of $7,877,000.00. A principal payment of $31,000.00 is due on September 1, 2009. As a result, total debt service is equal to $492,312.50.

Table V-1
Special Tax Requirement
Fiscal Year 2008-2009

Debt service:	
Interest on March 1, 2009	$246,156
Interest on September 1, 2009	$246,156
Principal on September 1, 2009	$31,000
Sub-total debt service	$523,313
Administrative expenses	$25,000
Contingency	$40,145
Total expenses	$588,457
Tax increment revenues	($458,521)
Reserve fund investment income	($23,631)
Surplus from prior year	($21,306)
Funds available to be applied for FY08-09	($503,457)
Special Tax Requirement	$85,000

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 $5,000. The fees and expenses of the administrator are estimated to be $15,000. The estimated expenses for the city are $5,000. Accordingly, the total administrative expenses are estimated at $25,000.

Contingency

A contingency, equal to approximately six percent of annual debt service plus an additional amount to round the special tax requirement to nearest the ten-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 $823,200.00. The assessed value of the taxable property in the district for fiscal year 2008-2009 is equal to $31,051,681.00. The incremental assessed value is therefore, equal to $30,228,481.00. .

Table V-2
Tax Increment Revenues
Fiscal Year 2008-2009

Base year assessed value (*January 1, 2002*)	$823,200.00
Phased-in FY2008-2009 assessed value	$31,051,681.00
Incremental assessed value	$30,228,481.00
Estimated City property tax rate FY2008-2009 (*per $100 of AV*)	$2.268
Estimated tax property increment	$685,581.95
Less New Construction Credit	($109,619.43)
Less Historic Preservation Tax Credit (CHAP credit)	($117,441.88)
Estimated tax increment revenues FY2008-2009	**$458,520.64**

The real property tax rate for the City of Baltimore in fiscal year 2007-2008 was $2.268 per $100 of assessed value. There has been no change to the city real property tax rate. As a result, the estimated real property tax rate for the City of Baltimore in fiscal year 2008-2009 is $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 $685,581.95.

The city provides a tax credit to the first owners of newly constructed dwellings during each of the first five years in which such property qualifies for the credit. The amount of the credit is initially equal to 50% (declining by 10% in each successive year) of the property tax imposed on the property less the amount of any other credit applicable in the respective year. Qualification for this property tax credit requires the owner of the property to (i) occupy the dwelling as his or her principal residence, (ii) file an application for the credit no later than 90 days after settling on the purchase of the dwelling, (iii) file a state income tax return as a resident of the City and (iv) satisfy any other requirements as may be provided by the City. It is expected that some homeowners buying the new completed units in the District will apply for and receive this tax credit. According to information gathered from the State Department of Assessment and Taxation website and information available from Baltimore City Bureau of Revenue Collections, there are currently 140 properties that are classified as residential units. Of these 140 residential units, sixty-nine properties are eligible new construction tax credit for fiscal year 2008-2009. The total new construction credit for these sixty-nine units that are currently eligible for this credit for fiscal year 2008-2009 is estimated to be equal $109,619.43.

The City provides a tax credit for significant improvements to, or restoration or rehabilitation of, historic properties for a period of ten years beginning with the assessment after the restoration or rehabilitation is completed. The amount of the credit for development projects exceeding $3.5 million is equal to (A) 80% (in the first five years, declining by 10% in each successive year thereafter) of (B) the difference between (i) the property tax that, but for the credit, would be payable after the completion of the eligible improvements; and (ii) the property tax that would be payable if the eligible improvements were not made. Eligibility requirements for the credit include, but are not limited to, (i) location within the boundaries of a property listed individually on the National Register of Historic Places, or a National Register Historic or Landmark District or a property or district designated as an historic properly or district under City law; and (ii) a determination by the Commission for Historical and Architectural Preservation that the project is compatible with local historic preservation standards, and approval by the Commission prior to work beginning. The credit is fully transferable to a new owner for the remaining life of the credit and is subject to termination if the property is converted so as not to meet established historic preservation standards during the credit period. The Developer has applied for and expects to receive the Historic Preservation Tax Credit (also referred to as the CHAP credit) for the Artisan, Foundry, Assembly and Stables buildings. This credit will become effective once renovation for these buildings is completed. There are two properties within the district that qualifies to receive Historic Preservation Tax Credit for fiscal year 2008-2009. According to information available from Baltimore City Bureau of Revenue Collections, the Historic Preservation Tax Credit given to these two properties for fiscal year 2008-2009 is equal to $117,441.88.

In addition to the above credits, the city also provides a tax credit to qualified Brownfields sites that are located in an enterprise zone equal to 50% of the site's increased property tax liability for a period of ten years after a completion of voluntary cleanup or corrective action plan. Increased property tax liability means the remaining property tax liability after the deduction of other applicable tax credits attributable to increase in the assessment of the Brownfields site, including improvements added to the site within the tax credit period, over the assessment of the site before its voluntary cleanup. This credit has not been applied for during fiscal year 2008-2009.

The total tax increment for property within the district is equal to $685,581.95. The total new construction credit for the eligible sixty-nine units for fiscal year 2008-2009 is estimated to be equal $109,619.43. The Historic Preservation Tax Credit for the two eligible properties for fiscal year 2008-2009 is equal to $117,441.88. As a result, the estimated tax increment revenue available to be applied to debt service for fiscal year 2008-2009 is $458,520.64 ($685,581.95 - $109,619.43 - $117,441.88 = $458,520.64).

Additional credits homeowners may apply for but that do not reduce the tax increment available for debt service include the Homestead Property Tax Credit. Section 9-105 of the Tax-Property Article of the Annotated Code of Maryland, as amended, provides for a homestead property tax credit to be established by the governing body of each county or municipal corporation in the State. The law provides that the credit limits must be set so that no homeowner's taxable assessment may be increased as a result of revaluation by more than 10 percent over the previous year. Counties and municipalities must establish the homestead property tax credit at a rate from 0 percent to 10 percent. The State law provides that the local governing bodies may change the homestead property tax credit from year to year. The homestead property tax credit limit in the City of Baltimore has been 4% since fiscal year 1992.

Reserve Fund Income

As of July 31, 2008, the balance in the reserve fund was $787,702.73, which includes the reserve requirement of $787,700.00 and $2.73 in investment income. An additional $11,815.50 in investment income will be posted in the account on September 1, 2008. Bond proceeds in the reserve fund are invested in a Monumental Life Insurance Company Master Repurchase Agreement (REPO) that is earning 3.0 percent per annum (paid semiannually in February and September) and maturing on April 26, 2009. The yield on the reserve fund requirement of $787,700.00 will result in an annual investment income of $23,631.00 on the reserve fund, which will be available to pay debt service for fiscal year 2008-2009.

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 2008-2009. The special tax requirement for fiscal year 2007-2008 was $170,000.00. The projected tax increment revenues for the fiscal year 2007-2008 were $354,986.77 and an additional $23,631.00 in reserve fund interest income. 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 bondholders. 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.

As of July 31, 2008, the city had transferred to the trustee $222,421.45 in tax increment revenues and special tax revenues. This amount together with reserve fund interest income and surplus from prior year in the amount of $23,734.80 were used for interest payments that were due on March 1, 2008 in the amount of $246,156.25. The balance in the debt service fund as of July 31, 2008 was $1,871.29. As mentioned above, there is $2.73 in investment income in the reserve fund and an additional investment income in the amount of $11,815.50 will be posted into the reserve fund on September 1, 2008. Accordingly, investment income in the amount of $11,818.23 will be available to make debt service due on September 1, 2008. An additional $231,466.73 ($246,156.25 - $11,818.23 = $231,466.73) in special taxes and tax increment revenues collected in the fiscal year 2007-2008 will be transferred to the trustee before September 1, 2008 for debt service due on September 1, 2008. These funds plus the balance in the debt service fund will be made available to pay debt service due on the bonds on September 1, 2008 in the amount of $246,156.25. A portion of special taxes and tax increment revenues in the amount of $35,000.00 will be retained by the city to cover the balance of 2007-2008 administrative expenses as well as reimburse the city for administrative expenses, which have previously been paid. Accordingly, surplus funds in the amount of $21,305.52 ($548,986.77 - $246,156.25 - $246,156.25 - $35,000 = $21,305.52) from the prior year will be made available to pay debt service for fiscal year 2008-2009 as shown in table below.

Table V-3
Surplus from Prior Year

FY07-08 budget:	
Tax increment revenues	$354,986.77
Special taxes	$170,000.00
Reserve fund interest income and surplus from FY07-08	$23,631.00
Total TIF and tax revenues available for FY07-08	$548,617.77
Less funds used for March 1, 2008 debt service	($246,156.25)
Funds available for September 1, 2008 debt service	$302,461.52
September 1, 2008 debt service payment.	($246,156.00)
Annual administrative expenses budget	($35,000.00)
Balance of FY07-08 expenses	($281,156.00)
Surplus from prior year	$21,305.52

B. LEVY OF SPECIAL TAX

For fiscal year 2008-2009, 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, as explained above.

For fiscal year 2008-2009, 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 for fiscal year 2008-2009 is $85,000.00.

Maximum Special Tax

According to the Rate and Method of Apportionment of Special Taxes, the maximum special tax for fiscal year 2008-2009 is equal to $719,817.39. The maximum special tax for each parcel is equal to the equivalent units of the Parcel divided by the total equivalent units for all parcels in the District and the result multiplied by the Maximum Special Tax. Equivalent units refer to the equivalent unit factor assigned to each class of property as indicated below:

Table V-4
Property and Equivalent Units

Property	Equivalent Units Factor
Residential	1.0 per unit
Commercial	1.80 per 1,000 building sf

There are two taxable properties in the district that are classified as commercial property. One of these properties consists of three different buildings and the other has one building. The total square footage in these buildings is equal to 111,800. Upon completion the development is projected to have 203 residential units. The equivalent units and the maximum special tax for each class of taxable property in the district is shown on the table below.

Table V-5
Maximum Special Tax

Property Class	Building SF/ No of units	Use	Equivalent Units Factor	Equivalent Units	Maximum Special Tax
Commercial Buildings					
Stables	7,500	Commercial	1.8	13.5	$24,039.02
Poole & Hunt	39,000	Commercial	1.8	70.2	$125,002.92
Foundry	51,000	Commercial	1.8	91.8	$163,465.36
Assembly	14,300	Commercial	1.8	25.74	$45,834.40
Total commercial	111,800			201.24	$358,341.71
Residential	203	Residential	1	203	$361,475.68
Total				404.24	$719,817.39

Adjusted Maximum Special Tax

The adjusted maximum special tax for each parcel shall be equal to the lesser of (but not less zero) the Maximum Special Tax for the parcel and the amount calculated by the following formula:

$$A = [(B \div C) \times D] - E$$

Where the terms have the following meaning:

A	=	The Adjusted Special Tax for a Parcel
B	=	The Special Tax Requirement plus Tax Increment Revenues available to apply to the Special Tax Requirement
C	=	The total Equivalent Units estimated for all of the Parcels in the District
D	=	The Equivalent Units built or expected to be built on Parcel
E	=	The Special Tax Credit for the Parcel

The special tax credit for any parcel is equal to the tax increment revenues collected from the parcel for that fiscal year. For purposes of calculating the tax increment revenues for each parcel, the base year value shall be allocated to each Parcel on the basis of assessed value of each parcel. The special tax credit applied to the maximum special tax for all parcels shall not exceed the tax increment revenues applied to the special tax requirement for that year.

Special Tax Levied

Special taxes shall be levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax such that the total is equal to the special tax requirement. For fiscal year 2008-2009, the special tax requirement is equal to $85,000.00, which is 22.79 percent of the adjusted maximum special tax ($85,000.00 ÷ $372,989.94 = 22.79%).

Special Tax Rates

As stated earlier in this report, special taxes are 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 total expenses of the district for fiscal year 2008-2009 are estimated to be equal to $588,457.17. Tax increment revenues and interest income and available to pay expenses are estimated to be $503,457.17. Accordingly, the special tax requirement is $85,000.00.

C. SPECIAL TAX COLLECTION

Special taxes in the amount of $170,000 were levied in fiscal year 2007-2008. As of July 22, 2008, $170,000 of special taxes has been collected, representing 100 percent of the total levy.

Special taxes in the amount of $85,000 were levied in fiscal year 2008-2009. For commercial property, special taxes are due on September 30. Special taxes levied on residential owner occupied property are due September 30th and December 31st.

As of December 31, 2008, the City of Baltimore reports there are delinquent special taxes outstanding for fiscal year 2008-2009 in the amount of $7,682.21. The special taxes due are scheduled for tax sale as of May 18, 2009.

D. COLLECTION EFFORTS

There are no delinquent special taxes for fiscal year 2007-2008. As of December 31, 2008, the City of Baltimore reports there are delinquent special taxes outstanding for fiscal year 2008-2009 in the amount of $7,682.21. Collection efforts are underway at this time. The special taxes due are scheduled for tax sale as of May 18, 2009. Table V-6 illustrates the properties receiving notice of tax sale for delinquent special taxes. Special tax outstanding is greater than the special tax levied due to the inclusion of accrued penalties and interest as provided by the City.

Table V-6
Properties Receiving Notice of Tax Sale for Delinquent Special Taxes

Owner	Parcel	Address	Special Tax Levied	Special Tax Outstanding
Clipper for Sale, LLC	13-04-3390B-097	2066 Eric Shaefer Way	$251.10	$297.17
Clipper for Sale, LLC	13-04-3390B-111	3418 Woodberry Avenue	$252.66	$289.06
Clipper for Sale, LLC	13-04-3390B-112	3420 Woodberry Avenue	$253.86	$282.81
Clipper for Sale, LLC	13-04-3390B-113	3422 Woodberry Avenue	$254.92	$277.31
Clipper for Sale, LLC	13-04-3390B-114	3424 Woodberry Avenue	$254.70	$278.44
Clipper for Sale, LLC	13-04-3390B-115	3426 Woodberry Avenue	$255.94	$272.01
Clipper Redevelopment Co., LLC	13-04-3990B-089	2081 Clipper Park Road	$3,540.32	$3,907.03
Clipper Redevelopment Company, LLC	13-04-3390B-095	2039 Clipper Park Road	$12,479.51	$431.72
Total			**$17,543.01**	**$6,035.55**

According to the City of Baltimore, properties with delinquent special tax bills less than $250.00 will not receive a Final bill and Legal Notice. These amounts are added on subsequent tax bills. Table V-7 illustrate the properties with delinquent taxes less than $250.00

Table V-7
Delinquent Special Tax Properties Less Than $250.00

Owner	Parcel	Address	Special Tax Levied	Special Tax Outstanding
Clipper for Sale, LLC	13-04-3390B-053	3515 Parkdale Avenue	$289.35	$102.55
Clipper for Sale, LLC	13-04-3390B-088	3446 Woodberry Avenue	$281.45	$154.09
Clipper for Sale, LLC	13-04-3390B-098	2070 Eric Shaefer Way	$284.52	$123.63
Clipper for Sale, LLC	13-04-3390B-099	2072 Eric Shaefer Way	$287.59	$107.69
Clipper for Sale, LLC	13-04-3390B-100	2074 Eric Shaefer Way	$286.28	$114.49
Clipper for Sale, LLC	13-04-3390B-101	2076 Eric Shaefer Way	$284.52	$123.63
Clipper for Sale, LLC	13-04-3390B-102	2078 Eric Shaefer Way	$282.76	$132.78
Clipper for Sale, LLC	13-04-3390B-103	2080 Eric Shaefer Way	$284.97	$121.28
Clipper for Sale, LLC	13-04-3390B-104	2082 Eric Shaefer Way	$284.52	$123.63
Clipper for Sale, LLC	13-04-3390B-117	3430 Woodberry Avenue	$256.09	$95.67
Clipper for Sale, LLC	13-04-3390B-118	3432 Woodberry Avenue	$254.92	$95.67
Clipper for Sale, LLC	13-04-3390B-119	3434 Woodberry Avenue	$280.55	$95.67
Clipper for Sale, LLC	13-04-3390B-120	3436 Woodberry Avenue	$277.48	$160.21
Clipper for Sale, LLC	13-04-3390B-124	3444 Woodberry Avenue	$275.31	$95.67
Total			**$3,910.31**	**$1,646.66**

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, 2008, unless otherwise stated.

A. FUND BALANCES

The fund balances in all of the funds and accounts, as of December 31, 2008, 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, 2008, there have been no changes to the Rate and Method of Apportionment of Special Taxes for the Clipper Mills 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 2007-2008 was $2.268 per $100 of assessed value. There has been no change to the city real property tax rate. As a result, the real property tax rate for the City of Baltimore in fiscal year 2008-2009 is $2.268 per $100 of assessed value.

D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

Based on the City of Baltimore's tax records, the fiscal year 2008-2009 assessed value of the development was $31,051,681, as compared to $23,999,880 for fiscal year 2007-2008. Accordingly, the assessed value of the development increased by $7,051,801. This represents a 29.4 percent increase from fiscal year 2007-2008 to fiscal year 2008-2009.

E. SPECIAL TAXES LEVIED

For fiscal year 2008-2009, 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 for fiscal year 2008-2009 is $85,000.00.

The complete Special Tax Report for fiscal year 2008-2009 is included in Section V, "District Operations," of this report.

F. COLLECTION OF AD VALOREM TAXES AND SPECIAL TAXES

As stated earlier in Section V above, special taxes are 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. Special taxes in the amount of $170,000 were levied proportionately on each parcel of taxable property in fiscal year 2007-2008. As of July 22, 2008, $170,000 of special taxes has been collected, representing 100 percent of the total levy for fiscal year 2007-2008. As a result, there are no delinquent special taxes for 2007-2008 at this time.

Special taxes in the amount of $85,000 were levied in fiscal year 2008-2009. For commercial property, special taxes are due on September 30. Special taxes levied on residential property are due September 30th and December 31st.

As of December 31, 2008, the City of Baltimore reports there are delinquent special taxes outstanding for fiscal year 2008-2009 in the amount of $7,682.21. The special taxes due are scheduled for tax sale as of May 18, 2009.

Projected ad valorem property taxes in the amount of $704,252 were to be levied on the property within the district in fiscal year 2008-2009. The aggregate credits given to property owners in the District for fiscal year 2008-2009 is equal to $209,279. Accordingly, the ad valorem real property taxes to be collected for fiscal year 2008-2009 is equal to $494,973. According to the City of Baltimore tax records, real property taxes in the amount of $469,446 has been collected in the District. This represents 95 percent of real property taxes due for fiscal year 2008-2009. Table VI-1 on the following page shows the taxes levied, credits and property taxes paid.

Table VI-1
Ad Valorem Taxes Collected

Owner	FY08 Levied Property Taxes	Newly Constructed Unit Credit	CHAP Credit	Property Taxes Due	Property Taxes Collected	Percentage of Collected
Clipper for Sale, LLC	$13,976	$0	$0	$13,976	$820	0.17%
Clipper Redevelopment Co., LLC	$155,275	$0	$117,442	$37,833	$34,623	6.99%
Mill Race Building, LLC	$21,168	$0	$0	$21,168	$21,168	4.28%
Individual homeowners'	$513,833	($91,837)	$0	$421,996	$412,835	83.41%
Total	**$704,252**	**($91,837)**	**$117,442**	**$494,973**	**$469,446**	**94.84%**

According to the City of Baltimore, Clipper for Sale, LLC is responsible for $13,976 of real property taxes levied in the District for fiscal year 2008-2009. As of December 31, 2008, the City of Baltimore has collected $820 in property taxes from Clipper for Sale, LLC. This represents six percent of the total ad valorem real property tax due from Clipper for Sale, LLC. At this time, the City has issued delinquency notices for all unpaid property taxes for properties with delinquent ad valorem real property taxes great than $250.00. According to the City of Baltimore, properties with delinquent ad valorem real property taxes less than $250.00 were all held by Clipper for Sale, LLC and as a result, all other properties with delinquent ad valorem real properties taxes will receive a tax sale notice. Tax sale notices will be mailed on April 1st for all delinquent properties and property owners have up to May 1st to make payments. Failure to make payment by May 1st will result in the property being sold at tax sale, which will be held on May 18, 2009.

G. PRINCIPAL DISTRICT TAXPAYERS

Based on the City of Baltimore's tax records, Clipper Redevelopment Company, LLC is responsible for the payment of 91.5 percent of total special tax levies for fiscal year 2008-2009. Clipper Redevelopment Company, LLC owns eight parcels in the district. For fiscal year 2008-2009, the special tax requirement was $85,000. Of the amount, Clipper Redevelopment Company LLC was responsible for $77,751.

Table VI-2 depicts a listing of each taxpayer responsible for payment of the levy of ad valorem real property taxes or special taxes in fiscal year 2008-2009, 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-2
Principal District Taxpayers

Taxpayer	Total Special Tax Levy	Percent of Levy	Total Ad Valorem Tax Levy	Percent of Levy
Clipper for Sale, LLC	$6,737	7.9%	$13,976	2.0%
Clipper Redevelopment Co., LLC	$77,751	91.5%	$155,275	22.0%
Mill Race Building, LLC	$0	0.0%	$21,168	3.0%
Individual homeowners'	$511	0.6%	$513,833	73.0%
Total	**$85,000**	**100.0%**	**$704,252**	**100.0%**

Based on the City of Baltimore's tax records, Clipper for Sale, LLC is responsible for the payment of 2.0 percent of total ad valorem tax levies for fiscal year 2008-2009. Clipper for Sale, LLC owns 39 parcels in the district. For fiscal year 2008-2009, the total ad valorem tax levy was $704,252. Of that amount, Clipper for Sale, LLC was responsible for $13,976.

Based on the City of Baltimore's tax records, Clipper Redevelopment Co, LLC is responsible for the payment of 22.0 percent of total ad valorem tax levies for fiscal year 2008-2009. Clipper Redevelopment Co, LLC owns eight parcels in the district. For fiscal year 2008-2009, the total ad valorem tax levy was $704,252. Of that amount, Clipper Redevelopment Co., LLC was responsible for $155,275.

Based on the City of Baltimore's tax records, Mill Race Building, LLC, is responsible for the payment of 3.0 percent of total ad valorem tax levies for fiscal year 2008-2009. Mill Race Building, LLC owns four parcels in the district. For fiscal year 2008-2009, the total ad valorem tax levy was $704,252. Of that amount, Mill Race Building, LLC was responsible for $21,168.

Based on the City of Baltimore's tax records, individual homeowners' are responsible for the payment of 73.0 percent of total ad valorem tax levies for fiscal year 2008-2009. Individual homeowners' own 94 parcels in the district. For fiscal year 2008-2009, the total ad valorem tax levy was $704,833. Of that amount, individual homeowners' were responsible for $513,833. The change in ownership from the previous owner, Ryland Homes, to individual homeowners' is a result of the sale of Ryland Homes properties to individual homeowners'.

H. AMENDMENTS TO LAND USE ENTITLEMENTS

As of December 31, 2008, there have been no significant changes to land use entitlements in the district other than the items stated below.

As of December 31, 2008, the developer reports an amendment to the Clipper Mill Planned Unit Development (PUD). The amendment, as approved by the Baltimore City Planning Commission on June 26, 2008, allows for outdoor seating and table service by Woodberry Kitchen on the plaza outside of Woodberry Kitchen and at the pool. According to the developer, the amendment also allows for parking on the lot between the Tractor and Stable Buildings.

As of December 31, 2008, the developer reports the National Park Service has reviewed Amendment #5 to Part 2 of the Application for the Tractor Building. The National Park Service has determined that the project, as modified by the treatments described, is in conformance with the Secretary of the Interior's Standards for Rehabilitation and with the preliminary approval issued by the office on January 6, 2004. A formal "certification of rehabilitation" can be issued only to the owner or qualified lessee of a "certified historic structure" after the rehabilitation work is completed.

I. CHANGES TO THE PUBLIC IMPROVEMENTS

As of December 31, 2008, there have been no changes to the public improvements to be constructed from those stated in the Limited Offering Memorandum.

The developer reports Baltimore City completed the final inspection of the public improvements in the northeast section of the development during the second quarter of 2008 and found the work to be satisfactorily completed. As of December 31, 2008, Baltimore City is working to issue a final letter accepting the public improvement in the northeast section so that the payment and performance bond can be released and the improvements can be deeded to Baltimore City.

J. TAX INFORMATION

Tax Increment Revenues

Table VI-3 depicts the estimated tax increment revenues from the development for fiscal year 2008-2009.

Table VI-3
Tax Increment Revenues
Fiscal Year 2008-2009

Base year assessed value (*January 1, 2002*)	$823,200.00
Phased-in FY2008-2009 assessed value	$31,051,681.00
Incremental assessed value	$30,228,481.00
Estimated City property tax rate FY2008-2009 (*per $100 of AV*)	$2.268
Estimated tax property increment	$685,581.95
Less New Construction Credit	($109,619.43)
Less Historic Preservation Tax Credit (CHAP credit)	($117,441.88)
Estimated tax increment revenues FY2008-2009	**$458,520.64**

Special Tax Levies

A listing of the principal ad valorem and special taxpayers and the amount of the special tax levy are provided in Table VI-2 under Section VI, "Principal District Taxpayers," of this report.

Debt Service Coverage

Table IV-4 below depicts the estimated debt service coverage for the Series 2004 Bonds.

Table VI-4
Debt Service Coverage

Account/Type	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Debt Service: (Bond Year Ending July 1)		
Principal	$0	$31,000
Interest	$492,312	$492,312
Sub-total Debt Service	$492,312	$523,312
Administrative expenses	$20,000	$25,000
Contingency	$35,458	$40,145
Sub-total Debt Service	$547,770	$588,457
Less: surplus from prior year	($36,290)	($21,306)
Less: reserve fund investment income	($23,631)	($23,631)
Total Debt Service	$487,849	$543,520
Base Year Assessed Value (January 1, 2002)	$823,200	$823,200
Phased-in Assessed Value	$18,204,820	$31,051,681
Increase in Assessed Value	$17,381,620	$30,228,481
City Tax Rate	$2.27	$2.27
Tax Property Increment	$397,691	$685,582
Less: New Construction Credit	($79,842)	($109,619)
Less: Historic Preservation Credit (CHAP Credit)	$0	($117,442)
Estimated Tax Increment Revenues	$317,850	$458,521
Debt Service Coverage	65.15%	84.36%
Special Tax Levied	$170,000	$85,000
Debt Service Coverage	34.85%	15.64%
Maximum Special Tax Rate	$3.98	$2.38
Maximum Special Tax	$691,866	$719,817
Debt Service Coverage	141.82%	132.44%

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 owner or any affiliate thereof;

(ii) Material damage to or material destruction of any development or improvements within the district by the owner;

(iii) The filing by or against the owner or any affiliate thereof, or any member of the owner or any owners of more than 25 percent interest in the owner of any petition or other proceedings under any bankruptcy, insolvency or similar law or any determination that the owner or an owner of interest in the owner or a subsidiary of the owner 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 owner which may adversely affect the completion of the development or the construction of the project or litigation in excess of $1,000,000 which would materially adversely affect the financial condition of the owner or any affiliate of the owner who owns property in the district.

Inquiries have been made with the developer regarding the occurrence of any significant events and they have reported that no significant events have occurred as of December 31, 2008.

As reported by the developer, two cases involving Texas Woodberry Land & Cattle Company, Inc. and Chase Ridgley, collectively Texas Woodberry, were pending as of February 4, 2008.

The following is a brief summary status of litigation relating to the Clipper Mill project and Clipper Redevelopment Company, LLC. Kenneth B. Mumaw, a former tenant of a portion of a small parcel within Clipper Mill and Clipper Redevelopment Company, LLC engaged in litigation concerning Mumaw's failure to pay rent and refusal to vacate the occupied portion. As a result of a confidential settlement agreement between Mumaw and Clipper Redevelopment Company, LLC, Mumaw vacated the occupied portion in August 2005.

In connection with the Mumaw suit, Texas Woodberry Land & Cattle, Inc. asserted that it owns all or a portion of the 1.51 acre parcel. On February 28, 2005, the Circuit Court for Baltimore City issued an order, which granted Clipper Redevelopment Company, LLC's motion to dismiss and for summary judgement. In so doing, the Circuit Court specifically determined that Clipper Redevelopment Company, LLC owns the 1.51 acre parcel free and clear of any claim by Texas Woodberry. Texas Woodberry appealed the order to the Court of Special Appeals. On November 18, 2005, Texas Woodberry and Chase Ridgely filed a notice of removal, removing the case from the Circuit Court for Baltimore City to the United States District Court for the District of Maryland. Therefore, unless the case is remanded back to the circuit court, the case will proceed in the federal court.

The case, Kenneth B. Mumaw v. Clipper Redevelopment Company, LLC and Texas Woodberry Land & Cattle Company, Inc, Circuit Court for Baltimore City, Case No.: 24-C-05-293 was dismissed on May 5, 2008. Mumaw filed the case in January, 2005. Mumaw, a hold-over tenant, filed a two-count complaint against both Clipper Redevelopment Company, LLC and Texas Woodberry. Count I sought injunctive relief to preclude his eviction from the land. Count II was an interpleader claim to establish a rent escrow until the court adjudicated the purported title dispute. The court granted Clipper Redevelopment Company, LLC's motion to dismiss and for summary judgment for Clipper Redevelopment Company, LLC on the issue of title (resulting in an adjudication that Clipper Redevelopment Company, LLC has valid title to the property). Mumaw and Texas Woodberry appealed to Court of Special Appeals of Maryland. Based on procedural grounds, and not for substantive reasons, the Court of Special Appeals vacated the circuit court's judgment, and remanded the action back to the Circuit Court for Baltimore City. The case was formally dismissed on May 5, 2008 because Mumaw voluntarily vacated the land and dismissed his claims against Clipper Redevelopment Company, LLC.

The case, Clipper Redevelopment Company, LLC et al v. Texas Woodberry Land & Cattle Company, et al., Circuit Court for Baltimore City, Case No.: 24-C-05-6317 was placed back in the circuit court as of December 30, 2008 based on the court's order declining to entertain an appeal. Clipper Redevelopment Company, LLC filed the case in June, 2005. Clipper Redevelopment Company, LLC sued Mumaw and Texas Woodberry based on several causes of action. The complaint seeks both monetary relief and declaratory relief on the issue of Clipper Redevelopment Company, LLC's valid title to the property. Mumaw ultimately agreed to vacate the property, and he was voluntarily dismissed from the case. Texas Woodberry filed a motion to dismiss Clipper Redevelopment Company, LLC's complaint, and Clipper Redevelopment Company, LLC filed a motion for partial summary judgment on the issue of title to the property and on the issue of adverse possession. A hearing was held on May 24, 2007. The circuit court denied Texas Woodberry's motion to dismiss; granted Clipper Redevelopment Company, LLC's motion for partial summary judgment on the issue of title; and denied Clipper Redevelopment Company, LLC's motion for partial summary judgment on the issue of adverse possession. Thus, the circuit court reached the same conclusion that it had previously reached – Clipper Redevelopment Company, LLC has valid title and Texas Woodberry does not. Ridgely filed an appeal to the Court of Special Appeals. Ultimately, on August 13, 2008, the Court of Special Appeals dismissed the appeal. Ridgely then requested Maryland's highest court, the Court of Appeals of Maryland, to hear his appeal. On December 30, 2008, that court issued an order declining to entertain the appeal; thus, the case is back in the circuit court.

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 ration, if any, on the Bonds;

(vii) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(viii) The release or substitution or property securing repayment of the Bonds; or

(ix) The continuing disclosure event notices provided to the Administrator by the Owner as more particularly set forth in the Owner's Continuing Disclosure Agreement so long as the

Special Taxes and real property taxes paid by the Owner to the City is greater than 10% of Annual Debt Service on the Bonds.

As of May 15, 2009, the administrator has not received any notice in regards to the occurrence of any significant event.