

**\$39,705,000**  
**MAYOR AND CITY COUNCIL OF BALTIMORE**  
**(City of Baltimore, Maryland)**  
**SPECIAL OBLIGATION BONDS**  
**(EAST BALTIMORE RESEARCH PARK PROJECT)**  
**SERIES 2008A**

**OWNER'S CONTINUING DISCLOSURE STATEMENT**

Attn: Keenan Rice  
MuniCap, Inc.  
6760 Alexander Bell Drive, Suite 220  
Columbia, MD 2104

In accordance with the "Continuing Disclosure Agreement" (the "Agreement") between East Baltimore Development, Inc. (the "Owner") and MUNICAP, INC. (the "Administrator") in connection with the issuance of \$39,705,000 in aggregate principal amount of the Mayor and City Council of Baltimore Special Obligation Bonds (East Baltimore Research Park Project) Series 2008A (the "Bonds"), the owner hereby provides the following information as of December 31, 2008. All terms having initial capitalization and not defined herein shall have the same meanings set forth in a Limited Offering Memorandum dated May 8, 2008. To the best of the knowledge of the undersigned:

The information provided herein is not intended to supplement the information provided in the Limited Offering Memorandum. 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 herein is indicative of information that may pertain since the end of the period covered by this report or in the future.

**1) Completion of the Public Improvements**

**A) Public Improvements Budget:**

<b>Public Improvement</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
Developer's fee	\$2,100,000	\$0	\$2,100,000	\$2,100,000	100%
Acquisition	\$7,176,140	\$1,015,161	\$8,191,301	\$4,136,520	50%
Relocation	\$7,903,860	\$(1,015,161)	\$6,888,699	\$3,362,608	49%
Demolition and Infrastructure	\$9,920,000	\$0	\$9,920,000	\$0	0%
<b>Total</b>	<b>\$27,100,000</b>	<b>\$0</b>	<b>\$27,100,000</b>	<b>\$9,599,128</b>	<b>35%</b>

**B) Status of Infrastructure Improvements:** Below is a brief status update of improvement work to be done, currently underway, or completed regarding the infrastructure improvements within the development.

Each portion of the development in the Phase One Area will require certain infrastructure improvements. Such infrastructure improvements have or will be funded by public sources, including funds from the City of Baltimore, State of Maryland and federal government. In general, the Sub-Developers will time commencement of construction of their portions of the Phase One Area with the completion of the required infrastructure as more fully described below.

The infrastructure improvements for L-1, R-1, R-2, R-3, R-6/7, R-9/10, and R-4/5 (described below), is expected to cost approximately \$15.7 million. All such funds have been appropriated, encumbered, and ready for disbursement to contractors. Approximately 90% of the work has been completed or is nearing completion, including the installation of electrical conduit, sanitary sewers, storm drains, curbs and gutters, base paving, street light conduit, vaults for electrical conduit, manholes, and sidewalks/handicap ramps. Projects that still need to be completed include: surface, asphalt, storm drains, seeding/mulching, roadway work, and traffic signals.

The infrastructure improvements for RN-1, RN-2 AND RN-3 (described below) are expected to cost \$6 million and will be funded with State, City Capital and Federal funds. Funds have been appropriated and programmed for these components, with infrastructure for RN-3 underway.

The infrastructure improvements for L-2, L-3, L-4, R4/5 and O-1 (described below) are expected to cost approximately \$10.8 million. Construction has not begun, however, all State and City funds have been approved.

**C) Special Tax District Phases – Below is a brief update regarding Special Tax District Phases milestones and status of current activities**

**(i) L-1 Life Science (“L-1”):**

The John G. Rangos Sr. Building, the first of five planned life science/office buildings planned in Phase I of the project area, was completed on March 27, 2008. The building, which totals 278,145 of rentable space, includes 255,091 square feet of lab space and 23,054 square feet of ground floor retail space.

The building is 51.3% leased, Executed leases include:

	Sq Ft	% Leased
<b><u>Executed Leases</u></b>		
Johns Hopkins	99,087	35.6%
FC-NEBP	8,720	3.1%
Biomarker Strategies	1,204	0.5%
Iatrica	1,333	0.5%
Harbor Bank	2,261	0.8%
HHMI	5,026	1.8%
JHU Brain Sciences Institute	25,000	9.0%
<b>Total Leased</b>	<b>142,631</b>	<b>51.3%</b>

In addition to these executed leases, Forest City reports two outstanding Letters of Intent (LOI) totaling 6,400 square feet. Forest City also reports they have issued thirteen proposals for a total of an additional 110,091 square feet, with five submitted to retail prospects for 12,386 square feet. If Forest City were to execute the LOI's and proposals, the total occupancy would increase to 93.2%.

EBDI, the Maryland Department of Business and Economic Development (DBED) and Forest City have agreed to terms that will allow Forest City to use the \$4,000,000 of Sunny Day funds approved for 855 Wolfe to subsidize tenant improvement costs. The agreement calls for \$2,000,000 of these funds to be earmarked

for a 46,000 square foot Neuro Research Institute out of New York that Hopkins and Forest City are jointly pursuing, \$600,000 of the funds to be structured as a grant to Forest City, assuming the dedication of 10,000 square feet for ten years to emerging tenants of which no more than three (3) spaces will individually comprise less than 2,500 square, and the remaining \$1,400,000 to be structured as a low cost loan to Forest City who will propose to EBDI on a tenant by tenant basis, the deployment of these funds. The \$4,000,000 Investment will be made by DBED to East Baltimore Development Inc. The investment is non-recourse to EBDI, with DBED pursuing the recipients of the structured financing agreements for recapture and return of the Sunny Day Funds.

**(ii) R-2 Senior Living ("R-2"):**

R-2, also known as "Park View at Ashland Terrace," was constructed by The Shelter Group and contains 74 units of income-restricted elderly housing. Construction was completed as of November 2007, and, R-2 has been 100 percent leased since April 1, 2008.

**(iii) R-3 Residential ("R-3"):**

R-3, also known as Ashland Commons, was constructed by The Shelter Group and contains 78 units of income-restricted workforce housing. Of the 78 units, 11 will be designated Section 8 units and the balance will be restricted to low-income households. Construction was completed as of December 2007 and, R-3 has been 100% leased since April 1, 2008.

**(iv) R-1 Residential ("R-1"):**

Construction of R-1 by A&R is expected to begin in late January 2009, with initial construction of five units. Completion for the first five units is expected to occur in the third quarter of 2009 and the remaining forty four units will be phased approximately in four proportionate construction projects. Final delivery projected for the entire project to be completed in 2010. R-1 will contain 49 for-sale townhouses; including 24 four-story stacked ("two over two") townhouses, and 25 three-story townhouses. Each building will have a two-car garage (the stacked units will each have one parking space within the garage). Infrastructure is completed to support this development.

Transfer of the land from the Master Developer for phase one took place in January 2009 A&R is expected to close on the project's financing in five phases. The first phase of the project, construction of five units, will be funded by a consortium of Philanthropic Foundations including the Anne E. Casey Foundation, the Rouse Company Foundation, the Charlesmead Foundation and EBDI. The later phases of the project will be funded via Philanthropic Foundation or through traditional commercial banking sources. The estimated construction budget for R-1 is approximately \$15.7 to \$16.0 million in land, hard costs, and soft costs. Ten of the 49 units are expected to be income-targeted.

**(v) R-6/7 Residential ("R-6/7"):**

R-6/7 is under contract with A&R. R-6/7 is expected to be a mid-rise condominium building with five levels of residential living on top of a ground-level garage. Of the total 82 units, 28 will be income-targeted and 54 will be income-unrestricted. There are expected to be 91 parking spaces.

Fifty percent of the design documents for R-6/7 have been completed, but the drafting of construction documents has not yet begun. Closing on the land takedown for R-6/7 is predicated on the substantial completion of R-1. The actual construction period for the mid-rise is approximately 16-month. The construction budget is estimated to be \$22 million including land, hard costs, and soft costs. A&R is expected to finance construction with a \$17 million construction loan, with the balance funded with equity. It is expected 60 percent of the units must be presold before funding, and presales are expected to commence prior to substantially completed status for R-1. Construction will not begin until the presales requirements are met.

**(vi) R-9/10 Graduate Housing ("R-9/10"):**

The Master Developer has selected Allen & O'Hara, a wholly owned subsidiary of Education Realty Trust, Inc., as the sub-developer for the Johns Hopkins graduate student housing facility. The plan includes 1-, 2- and 4-bedroom units and includes 324 units and 575 beds. EBDI is working with the sub-developer, master developer, Johns Hopkins and the City to develop an acceptable financing structure. The current model assumes the project is financed with two tranches of bonds; the A Series is assumed to be financed with Tax Exempt bonds and the B Tranche purchased by Allen & O'Hara. The bonds are planned to be non-recourse, and secured with the property and a bank issued letter of credit. Due to current financial market conditions, the project is expected to be delayed a year, and assumed to be delivered for the school year 2012 opening.

**(vii) RN-3 Residential ("RN-3"):**

Construction of RN-3 by Pennrose started in June 2008. RN-3 will contain 63 rental units, including 21 three-level, three-bedroom rowhouses at +/-1,660 square feet each; 10 three-level, three-bedroom townhouses at +/-1,500 square feet each; and 32 apartments. RN-3 is expected to contain 48 income-restricted units.

RN-3 is expected to have a total construction budget of approximately \$15.3 million. Approximately \$9.3 million is expected to be funded from equity. Approximately \$1.8 million is expected to be funded from a long-term first mortgage from Centerline Capital. Centerline is also expected to be an equity investor. A \$2 million loan is expected to come from the Maryland Department of Housing and Community Development, and the balance of \$2.2 million is expected to come from a loan from the City of Baltimore. The conveyance of land from the Master Developer to Pennrose for RN-3 occurred in June 2008 and the first units are expected to be delivered in second quarter of 2009.

**(viii) RN-1 Residential ("RN-1"):**

RN-1 is under contract with Pennrose in partnership with East Baltimore Enterprises, Inc. The needed infrastructure to service the parcel is projected to be completed December 2011 due to a change from Baltimore City to Federal funding with actual construction of units projected to commence in alignment with this infrastructure development schedule. The owner is pursuing an expedited funding source with the City in order to deliver units in the second and third quarter of 2011. RN-1 is expected to contain 68 for-sale units in a combination of 24 fully-renovated three-bedroom historic rowhouses (ranging from 1,500 square feet to 1,680 square feet) and 44 newly constructed 14-foot wide garage townhomes with two and three bedrooms, ranging from 1,550 square feet to 1,920 square feet.

Approximately 75 percent of the construction documents for RN-1 have been completed. RN-1 is expected to have a total construction budget of approximately \$20.22 million. Approximately \$15.6 million is expected to be funded from a construction loan from The Reinvestment Fund. Approximately \$2.5 million is expected to be funded from equity and the balance of \$2.12 million is expected to be funded through the release of closing proceeds received at the time of sale of each unit.

**(ix) RN-2 Residential ("RN-2"):**

RN-2 is under contract with Pennrose in partnership with East Baltimore Enterprises, Inc. The needed infrastructure to service the parcel is projected to be completed December 2011 with actual construction of units projected to commence in alignment with this infrastructure development schedule. The owner is pursuing an expedited funding source with the City in order to deliver units in the second and third quarter of 2011. RN-2 is expected to contain 55 for-sale units. RN-2 is expected to contain 19 fully-renovated two-bedroom historic rowhouses (ranging from 1365 square feet to 1470 square feet) and 36 21-foot wide, three-bedroom garage townhomes with 2,100 square feet each.

**2) Status of Development**

**A) Change in the Ownership of Any Property within the District:** The table below represents the change of ownership of property within the district from the owner or the master developer to a sub-developer including proposed development

Sub-Developer	Project/ Building	Proposed Development	Sales Price	Owner Affiliate (Yes/No)
Pennrose Properties	RN-3	63 rental units	Rental	No
The Shelter Group	R-2	74 rental units	Rental	No
The Shelter Group	R-3	78 rental units	Rental	No
A&R Development, Inc.	R-1, Ph. 1	5 owner units	For Sale	No
<b>Total</b>		220		

D) **List of Sub-Developers and their Proposed Development Program:** The table below represents an update on a list of the sub-developers including proposed development program.

<b>Project/Building</b>	<b>Proposed Development</b>	<b>Number of Units/Square Feet</b>	<b>Sub-Developer</b>
RN-1	Residential	68	Pennrose
RN-2	Residential	55	Pennrose
RN-3	Residential	63	Pennrose
R-1	Residential	49	A&R
R-2	Residential	74	The Shelter Group
R-3	Residential	78	The Shelter Group
R/4-5	Residential	130	Master Developer
R/6-7	Residential	82	A&R
R/9-10	Residential	348	Allen & O'Hara
<b>Total - Residential</b>		<b>947</b>	
L-1 (Life Sciences)	Commercial	278,145	Master Developer
L-2 (Life Sciences)	Commercial	277,000	Master Developer
L-3 (Life Sciences)	Commercial	220,000	Master Developer
L-4 (Life Sciences)	Commercial	210,000	Master Developer
O-1 Office	Commercial	116,000	Master Developer
<b>Total - Commercial</b>		<b>1,101,145</b>	

E) **Status of Leasing - Commercial:** The table below represents the leasing status including the total square feet leased and occupancy status.

Project/Building	Tenants	Square Footage	Occupancy Status
<b>L-1 (278,145 Square Feet)</b>	Johns Hopkins	99,087	35.6%
	FC-NEBP	8,720	3.1%
	Biomarker Strategies	1,204	0.5%
	Latrica	1,333	0.5%
	Harbor Bank	2,261	0.8%
	HHMI	5,026	1.8%
	JHU Brian Sciences Institute	25,000	9.0%
<b>Subtotal L-1</b>	Total Leased	142,631	51.3%
<b>L-2 (277,000 Square Feet)</b>	Planned Delivery 2014		
<b>Subtotal L-2</b>			
<b>L-3 (220,000 Square Feet)</b>	Planned Delivery 2013		
<b>Subtotal L-3</b>			
<b>L-4(210,000 Square Feet)</b>	Planned Delivery 2015		
<b>Subtotal L-4</b>			
<b>O-1 Office (116,000 Square Feet)</b>	Planned Delivery 2011		
<b>Subtotal O-1</b>			
<b>Total</b>		142,631	51.3%

F) **Status of Leasing - Residential:** The table represents the leasing status for the residential development including the total number of units leased, units being planned and units under construction.

Project/Building	Total Number of Units	Number of Units Leased	Number of Units under Letter of Intent
RN-3 (Apt. & Rowhouse Rental)	63	Under Construction	
R-2 (Senior Living Rental)	74	74	
R-3 (Workforce Rental)	78	78	
R/9-10 (Graduate Housing Rental)	348	Being Planned	
<b>Total</b>	<b>563</b>	152	

G) **Home Sales and Closings with Builders:** The table below represents the projected status of homes for sale and closing with homebuyers within the development.

Project/Building	Total Number of Units	Builder	Homes Under Sale Contract	Home Closed
RN-1	68	Pennrose		Expected 2012
RN-2	55	Pennrose		Expected 2012
R-1	49	A&R		Initial Units 2009
R/4-5	130	Forest City		Not yet under contract with sub-developer
R/6-7	82	A&R		After substantial completion of R-1
<b>Total</b>	<b>384</b>			

- 3) **Zoning Classification:** There have been no changes to the zoning classification of any parcel with the district as described in the Limited Offering Memorandum.
- 4) **Event of Default on any Loan:** The owner has not received formal written notice and is not aware of any default or passage of time on any loan.
- 5) **Material Changes in the Form, Organization or Ownership of the Owner of Affiliate:** EBDI's Chief Executive Officer Jack Shannon has resigned effective April 30, 2009. EBDI's Board of Directors is actively recruiting a replacement and feels confident the position will be filled with a local candidate by April 30, 2009.
- 6) **Other Comments:**

The owner has executed an amended MDA with the owner on January 13, 2009 that extends the Minimum Timing Criteria for Substantial Completion of the second group of 200 residential units to be developed by Developer under the MDA (i.e. in the aggregate, the 201<sup>st</sup> to 400<sup>th</sup> residential units to be developed by Developer under the MDA) to December 31, 2011.

- 7) **Reporting of Significant Events:** The developer has not obtained actual knowledge of the occurrence of any of the significant events attached hereto.

**EAST BALTIMORE DEVELOPMENT, INC.**

By: East Baltimore Development, Inc.

By: John T. Shannon

Title: President & CEO

Date: February 27, 2009

**Significant Event**

- (i) failure to pay any real property taxes (including the special taxes) levied within the TIF districts 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 TIF districts owned by the owner;
- (iii) the filing by or against the owner or any affiliate thereof, or any owners of more than 25 percent interest in the owner of any petition or other proceeding under any bankruptcy, insolvency or similar law or any determination that the 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 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 TIF districts.