DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Year Ending December 31, 2006

$16,240,000 New Port Community Development Authority
Special Assessment Bonds Series 2006
(City of Portsmouth, Virginia)

Prepared by:

MUNICAP, INC.

July 17, 2007

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. UPDATED INFORMATION

Information updated from the Limited Offering Memorandum dated May 12, 2006 is as follows:

- As of March 31, 2007, the company reported that all Phase 1B permits with the exception of plats have been received.

- As of March 31, 2007, the company reported that 75 Phase 1A single-family home lots have been conveyed to the builder, Chesapeake Homes.

- As of March 31, 2007, the company reported that a total of 70 building permits were obtained by the homebuilder.

- As of March 31, 2007, the company reported that 44 single-family detached (20 to 24 foot) homes and 10 single-family detached (32 foot) homes were sold to homebuyers. The company also reports that 39 single-family detached (20 to 24 foot) homes and 10 single-family detached (32 foot) homes had settled with homebuyers.

- As of March 31, 2006, the company reported that the proposed public improvements for Phase 1B were substantially completed.

- As of March 31, 2007, the company reports that the total amount bond proceeds disbursed for public improvements was $3,168,169.

- As of March 31, 2007, the company reported that the Chesapeake Home Loan was renewed in July 2006 and the maximum borrowing capacity was increased from $50,000,000 to $70,000,000. The company also reported that the Chesapeake Home Loan facility may be used to fund other homebuilding projects, as approved by the Bank.

- As of March 31, 2007, the company reported that the amounts drawn and repaid on the Chesapeake Home Loan were $11,438,089 and $9,071,616 respectively, resulting in an outstanding balance of $2,366,473. The company also reports that the interest rate on the Chesapeake Home Loan was 1-month LIBOR plus 2.25 percent, which was 7.57 percent as of March 31, 2007.

- As of March 31, 2007, the company reports that the amounts drawn and repaid on the Company Loan were $21,294,597 and $7,068,469, respectively, resulting in an outstanding balance of $14,226,128. The company also reports that the interest rate on the Company Loan was 1-month LIBOR plus 2.25 percent, which was 7.57 percent as of March 31, 2007.

- There were no special assessments levied in fiscal year 2006. As a result, there are no delinquent special assessments for fiscal year 2006.

II. INTRODUCTION

The New Port Community Development Authority (the "District") was created by Ordinance No. 2005-71 (the "District Ordinance") enacted on August 23, 2005 by the City Council of Portsmouth, Virginia (the "City Council). The $16,240,000 Series 2006 Special Assessment Bonds (the "Series 2006 Bonds"), were issued pursuant to Ordinance No. 2006-12, which was enacted on February 14, 2006 (the "Special Assessment Ordinance" and, together with District Ordinance, the "Ordinance") by the City Council, pursuant to the provisions of the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5152 et seq. of the Code of Virginia, 1950, as amended (the "Act"), and an Indenture of Trust dated as of May 1, 2006, between the New Port Community Development Authority (the "Authority") and Manufacturers and Traders Trust Company, as trustee (the "Trustee").

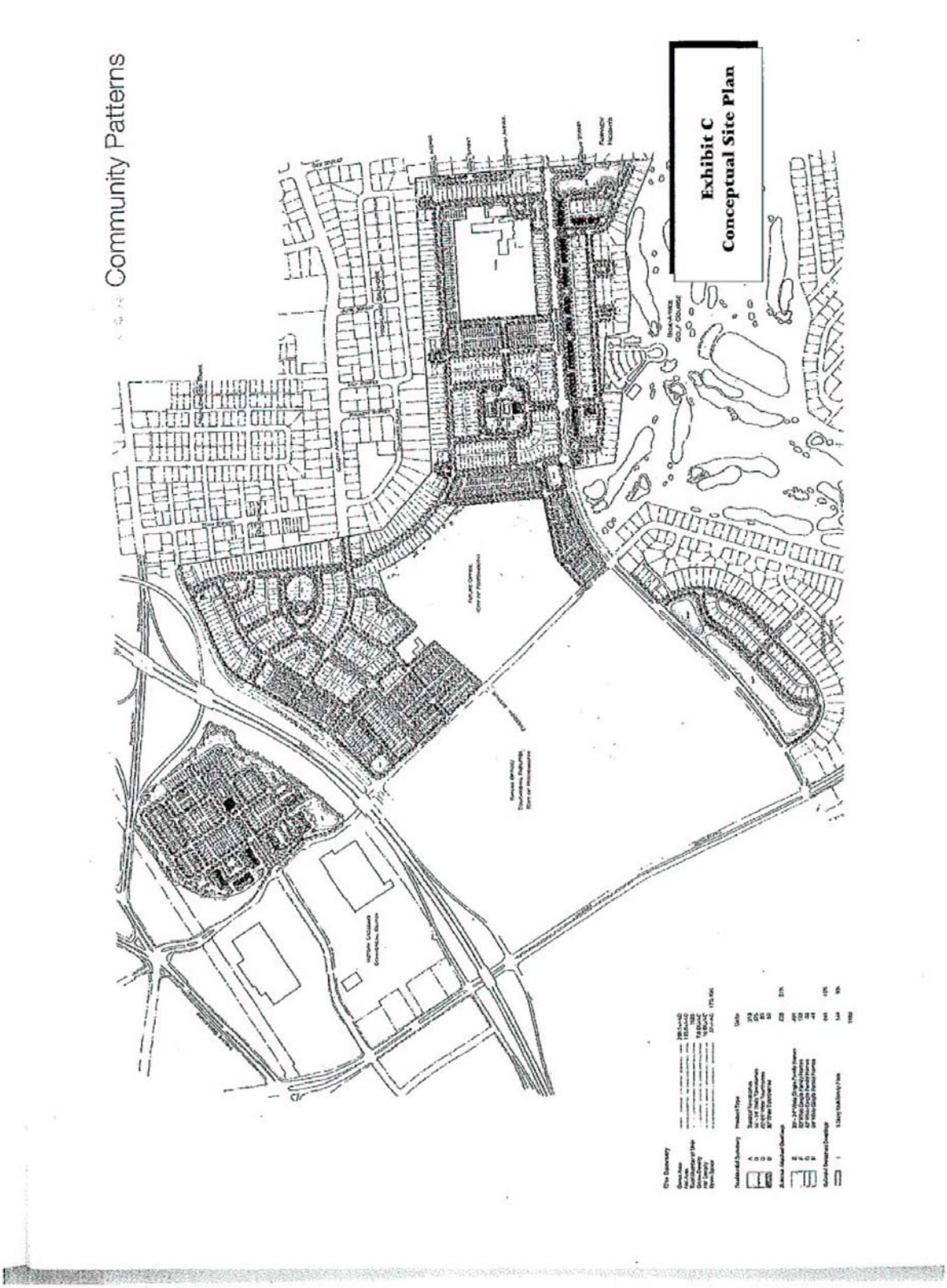
The Series 2006 Bonds were issued to finance certain public infrastructure improvements including road improvements, signage, updated and relocated utilities, lighting, fencing, sidewalks and streetscape, water distribution systems, and wastewater collection systems.

The district, which consist of approximately 187.367 acres, is located in the mid town area of the City of Portsmouth, Virginia generally known as Victory Crossing, which is approximately four miles southwest of the downtown. The district, which is bisected by Interstate 264, is bound to the north by Portsmouth Boulevard and the Highland Biltmore Neighborhood, on the east by the Fairview Heights neighborhood, on the west by the Victory Crossing Shopping Center and unimproved property owned by the Economic Development Authority of the City of Portsmouth, the future use of which is expected to be a business park and the Portsmouth Campus of Tidewater Community College, and on the south by the city-owned Bid-A-Wee Golf Course and the Bid-A-Wee Manor Neighborhood. The land with in the district is being developed in three phases with the first phase having three sections. The development is expected to include 1,576 residential units consisting of approximately 625 detached single-family homes, approximately 497 two and three-story single-family attached townhouse units, approximately 144 three-story multifamily flats and approximately 310 four-story stacked townhouse units.

The land in the district is owned and will be developed by Portsmouth Venture One, L.L.C. (the "Company"). The company is an affiliate of L.M. Sandler & Sons, Inc.

Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is not required for the bonds. However, the company and administrator have agreed to provide information regarding the development of the property and the operations of the district.

The information regarding development activity was provided by the company and is believed to be accurate; however, no effort has been made to independently verify the information.


Community Patterns
Exhibit C
Conceptual Site Plan

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The district, which consist of approximately 187.367 acres, is located in the mid town area of the City of Portsmouth, Virginia generally known as Victory Crossing approximately four miles southwest of the city's downtown. The district, which is bisected by Interstate 264, is bound to the north by Portsmouth Boulevard and the Highland Biltmore Neighborhood, on the east by the Fairview Heights Neighborhood, on the west by the Victory Crossing Shopping Center and unimproved property owned by the Economic Development Authority of the City of Portsmouth, the future use of which is expected to be a business park and the Portsmouth Campus of Tidewater Community College, and on the south by the city-owned Bid-A-Wee Golf Course and the Bid-A-Wee Manor Neighborhood. The district is located approximately six miles from the downtown of the City of Norfolk, Virginia and approximately 25 miles from the City of Virginia Beach's oceanfront. Other nearby land uses include residential communities, a large shopping center, other commercial activities and light industrial uses. The district is adjacent to Interstate 264, which provides access to all of the cities bordering the City of Portsmouth, including Norfolk, Chesapeake and Suffolk, and is three miles east of the interchange of Interstates 64, 264 and 664.

The development is expected to include 1,576 residential units consisting of approximately 625 detached single-family homes, approximately 497 two and three-story single-family attached townhouse units, approximately 144 three-story multifamily flats and approximately 310 four-story stacked townhouse units. The land with in the district is being developed in three phases with the first phase having three sections.

The Series 2006 Bonds were issued to finance the infrastructure improvements including road improvements, signage, updated and relocated utilities, lighting, fencing, sidewalks and streetscape, water distribution systems, and wastewater collection systems.

As outlined in the Limited Offering Memorandum (LOM), the district has been zoned Residential RM-60-K (Conditional) which allows for the development of the residential community as contemplated at the time of bond issuance. According to the LOM, the company proffered to subject the property to the Traditional Neighborhood Development (TND) Overlay District conditions and precepts, to dedicate to the city approximately 1.5 acres adjacent to the existing Highland-Biltmore Elementary School, and commence construction of a clubhouse and swimming pool.

B. DEVELOPER AND LAND OWNERS

The property in the district is currently owned and developed by Portsmouth Venture One, L.L.C (the "Company"). The company is an affiliate of L.M. Sandler & Sons, Inc. As outlined in the Limited Offering Memorandum, Today Homes, Inc., trading as Chesapeake Homes expects to build the residential units with the possible exception of 144 three-story multifamily flats and other improvements including a clubhouse facility in the district. Chesapeake Homes is a sub-chapter S corporation, which is a wholly-owned subsidiary of L.M. Sandler & Sons, Inc.

According to the company, there have been no material changes in the form, organization or ownership of the company or any affiliate of the company who owns property in the district as described in the Limited Offering Memorandum.

C. STATUS OF DEVELOPMENT

(i) Status of Government Permits

According to the Limited Offering Memorandum, several administrative reviews and approvals with respect to planning and development would be required as construction is initiated for each phase of the development. Such approvals include the stormwater plan for each phase, compliance with the city's Master Plan, a group housing permit that must be obtained prior to the development of the town homes, stacked town homes and multi-family flats, subdivision plats and site plans. According to the Limited Offering Memorandum, the property constituting the district contains approximately 0.62 acres of non-tidal forest wetlands and 2.86 acres of non-tidal emergent wetlands. The US Army Corps of Engineers (USACOE) has determined that such wetlands are isolated and do not connect to any downstream waters of the United States. Accordingly, USACOE permits would not be required to fill such wetlands. The company has received the Virginia Department of Environmental Quality water protection permit, which permits the filling of 3.37 acres of such wetlands (approximately 0.11 acres will not be filled).

According to the Limited Offering Memorandum, the site plans for Phase 1A were approved, and all other permits that were necessary to commence construction of Phase 1A were obtained. Plats were also recorded for all lots in Phase 1A at the time of bond issuance. As of March 31, 20067 the company reports that all Phase 1B permits with the exception of plats have been received.

Table III-1 below shows the infrastructure required by phase, the permitting agency actual and/or projected permit time frame reported by the company as of March 31, 2007.

Table III-1
Status of Permits and Approvals

Infrastructure	Agency	Estimated Time Frame				
		Phase 1A	Phase 1B	Phase 1	Phase 2	Phase 3
		75 Lots	382 Lots	133 Lots	559 Lots	427 Lots
Earthwork, Demolition	City of Portsmouth	Dec-04	Jun-06	Jun-08	Jan-09	Jun-11
Traffic Circle	City of Portsmouth	Dec-04	Jun-06	Jun-08	Jan-09	Jun-11
Paving, Landscape, Misc. Site Improvements	City of Portsmouth	Dec-04	Jun-06	Jun-08	Jan-09	Jun-11
Water Distribution System	City of Portsmouth	Dec-04	Jun-06	Jun-08	Jan-09	Jun-11
Sewage Collection System	City of Portsmouth	Dec-04	Jun-06	Jun-08	Jan-09	Jun-11
Plat	City of Portsmouth	Jun-05	Mar-07	Dec-08	Jun-09	Dec-11
Group Housing Permit (GHP)	City of Portsmouth	Received	Received	Not required	Jan-09	Jun-11

(ii) Status of Vertical Development

According to the Limited Offering Memorandum, the development is being constructed in three phases with the first phase having three sections (1A, 1B and 1C). As outlined in the Limited Offering Memorandum, Phase 1A of the development of single-family detached homes was under construction at the time of bond issuance. Phase 1B is expected to include 413 units of single-family detached homes and town homes, the development of which was expected to commence construction in 2006 and be completed within 42 months. Phase 1B would also include the construction of the clubhouse, pool and adjacent playground and park. Phase 1C is expected to include 133 units, the development of which is expected to commence construction in 2008 and be completed within 18 months. Phase II is expected to include 528 units, the development of which is expected to commence construction in 2010 and be completed within 54 months. Phase III is expected to include 427 units of town homes, stacked town homes and multifamily flats, the development of which is expected to commence construction in 2012 and be completed within 48 months.

According to the Limited Offering Memorandum, the single-family detached homes, which will range from 1,800 to 3,000-plus square feet of living space, are being constructed throughout the development and feature 3-5 bedrooms, 2-4 baths, patios, porches and one or two-car attached garages. The town homes, which will range from 1,100 to 2,500 square feet of living space, feature 2-4 bedrooms, and also have attached garages. The stacked town homes will range from 1,100 to 1,900 square feet of living space featuring two-three bedrooms and will have integrated rear-load one-car garages. The multi-family flats will range from 800 to 1,300 square feet featuring 1-2 bedrooms and will be provided with surface parking.

Table III-2 below shows the types of residential units, average square footage and number of units as outlined in the Limited Offering Memorandum.

Table III-2
Planned Units to be Developed

Type of Residential Unit	Average Square Footage	Number of Units
Single-family Detached (24')	2,000	382
Single-family Detached (32')	2,200	170
Single-family Detached (42')	2,600	32
Single-family Detached (50')	2,800	41
Town Homes (16'-20')	1,300	353
Town Homes (24')	1,600	84
Town Homes (24')	2,500	60
Town Homes (32')	1,550	310
Multi-Family Flats	1,100	144
Total		**1,576**

(iii) Status of Closing of Residential Lots with Builders

According to the Limited Offering Memorandum, Today Homes, Inc., trading as Chesapeake Homes, is expected to build the residential units with the possible exception of 144 three-story multifamily flats and other improvements including a clubhouse facility in the district.

As of March 31, 2007, the company reported that 75 Phase 1A single-family home lots have been conveyed to the builder, Chesapeake Homes.

Table III-3 below shows the homebuilders, unit type, the number of lots sold to homebuilders and the number of lots settled with homebuilders as reported by the company as of March 31, 2007.

Table III-3
Status Lots Sold and Lots Settled with Homebuilders

Builder	Unit Type	Number of Lots Sold to Homebuilder	Number of Lots settled with Homebuilder
Chesapeake Homes	Single-family Homes	75	75
Total		75	75

(iv) Status of Home Sales and Closings

As of March 31, 2007, the company reports that a total of 70 building permits were obtained by the homebuilder. The company also reports that 44 single-family detached (20 to 24 foot) homes and 10 single-family detached (32 foot) homes were sold to homebuyers. As of March 31, 2007, the company also reports that 39 single-family detached (20 to 24 foot) homes and 10 single-family detached (32 foot) homes were settled with homebuyers.

Table III-4 in the following page shows the phase and unit type, number of building permits issued, homes sold and homes closed with homebuyers as reported by the company as of March 31, 2007.

Table III-4
Status of Building Permits Issued, Homes Sold and Homes Closed

Phase and Unit Type	Number of Units	Number of Building Permits issued to Homebuilder	Number of Homes Sold to Homebuyers	Number of Homes Settled with Homebuyers
1A				
Single-family Detached (20'-24')	55	55	44	39
Single-family Detached (32')	20	15	10	10
1B				
Single-family Detached (24')	109			
Single-family Detached (32')	89			
2-Story Town Homes (24')	84			
3-Story Town Homes (16'-20')	100			
1C				
Single-family Detached (32')	60			
Single-family Detached (42')	32			
Single-family Detached (50')	41			
2				
Single-family Detached (20'-24')	219			
Single-family Detached (32')	60			
3-Story Town Homes (16'-20')	178			
4-Story Stacked Town Homes	102			
3				
3-Story Town Homes (16'-20')	75			
4-tory Stacked TH	208			
3-Story Multi-family	144			
Total	1,576	70	54	49

D. PROPOSED PUBLIC IMPROVEMENTS

According to the Limited Offering Memorandum, the public infrastructure improvements, constituting a portion of the development, include road construction, water and sanitary sewer utilities, storm water systems, traffic signals, street and pedestrian lighting, public parking, street signage and graphics, new pavement, fencing, site work, and related mobilization, demolition, surveying and engineering costs. Private infrastructure improvements include mobilization and demolition costs, site work, alleys, clubhouse improvements, including related fencing, and related surveying and engineering costs.

As outlined in the Limited Offering Memorandum, the proposed public improvements include the construction of a water distribution system that will consists of a network of 6, 8, 10

and 12-inch lines, which will connect to an existing 16-inch line that lies within the right-of-way of Greenwood Drive, as well as existing 12 and 6-inch lines which lie in the right-of-ways of McLean Street and Cavalier Boulevard, respectively all of which have adequate capacity to provide both domestic and fire flow to the New Port Development Area. The proposed public improvements will also include a new sanitary sewer pump station off of Greenwood Drive near the existing golf course maintenance facility. In addition to the pump station, the improvements would include new gravity sewer systems that will connect with an existing sewer system that flows towards Victory Boulevard for Phase 1A, a gravity sewer system that flows east down Greenwood Drive for Phases 1B and 1C to the new pump station, and a new collection system for Phases 2 and 3 that will ultimately connect to the existing interceptor gravity system which is located along Interstate 264 which has adequate capacity to receive the flows generated by the development area.

As outlined in the Limited Offering Memorandum, additional underground storm sewer collection systems would be constructed for Phase 1A, which would outfall into the existing Greenwood Drive stormwater management ponds. Stormwater management for Phase 1 B of the development would be completed with the construction of two new ponds. The western portion of Phase 1B would be served by a pond located at the northeastern corner of the intersection of Greenwood Drive and McLean Drive. The pond would outfall into the existing ponds that are part of the Greenwood Drive drainage system. A second pond would be constructed to serve the eastern portion of Phase 1B and Phase 1C (the southern section between Greenwood Drive and Bide-A-Wee Golf Course). This pond would outfall into the ditch which flows along the golf course property and outfalls at Deep Creek Boulevard. The existing ditch along the northern portion of Phase 1B, which adjoins the Highland Biltmore subdivision, would be improved and converted into an underground collector system. The eastern portion of this system would outfall into existing drainage systems on Dekalb Avenue and the western portion would be routed into ponds constructed as part of Phase 2 of the development. Stormwater management for Phase 2 of the development would be completed with the construction of three stormwater management ponds. Two of the ponds would be constructed at the intersection of Dekalb and Elliot Avenues and would address the existing drainage issues created by the Greenwood Drive improvements. A larger pond would be constructed along Cavalier Boulevard north of McLean Street. This pond would serve the majority of the site and would connect to the Cavalier Boulevard drainage system. Stormwater management for Phase 3 would be accomplished by the construction of a new stormwater management pond which would connect to the existing outfall at the Victory Boulevard Shopping Center.

According to the Limited Offering Memorandum, The roadway improvements include certain improvements to Greenwood Drive including the addition of parallel parking along both the north and south sides of the road, upgrades to Independence Boulevard and McLean Street to current road standards, and installation of a roundabout at the intersection of McLean Street and Greenwood Drive as an alternative to a traditional signalized intersection. Alleys will be funded with private moneys and dedicated to and maintained by the homeowners association. Other public improvements include entrance features, street trees within all public rights-of-way within the community in accordance with the rezoning approved by the City of Portsmouth in conjunction with development of New Port as a Traditional Neighborhood Design (TND) Community and additional landscaping.

Status of Construction of the Public Improvements

As outlined in the Limited Offering Memorandum, the public improvements for Phase 1A were completed at the time of bond issuance. According to the company, the proposed public improvements for Phase 1B are substantially completed as of March 31, 2007.

As of March 31, 2007, the company reports that the total amount bond proceeds paid for public improvements was $3,168,169.

Tables III-5 below shows the public improvements, the original budget, budget changes, the revised budget and the amount spent for each development phase as reported by the company as of March 31, 2007.

Table III-5
Status of Completion of Public Improvements

Public Improvement	Original Budget	Budget Change	Revised Budget	Spent to Date	Percent Complete
Site Preparation	$353,835	0	$353,835	$22,713	6.4%
Pavement	$5,227,400	0	$5,227,400	$847,364	16.2%
Concrete Entrance	$187,500	0	$187,500	$ 6,000	3.2%
Water Main & Service	$1,981,375	0	$1,981,375	$ 278,674	14.1%
Fire Hydrants	$93,450	0	$93,450	$ 13,800	14.8%
Sanitary Sewer	$4,633,143	0	$4,633,143	$ 1,427,579	30.8%
Street & Pedestrian Lighting	$442,500	0	$442,500	$ 0	0.0%
Landscaping	$954,050	0	$954,050	$62,787	6.6%
Street Signage	$350,000	0	$350,000	$3,352	1.0%
Traffic Circle	$458,000	0	$458,000	$ 0	0.0%
Maintenance of traffic	$135,000	0	$135,000	$17,500	13.0%
Surveying & Engineering	$1,726,902	0	$1,726,902	$488,400	28.3%
Contingency	$1,654,316	0	$1,654,316	$ 0	0%
Sub-Total	$18,197,471	0	$18,197,471	$3,168,169	17.4%
Less: Private Contributions	$6,004,437	0	$6,004,437	-	-
Total:	$12,193,024	0	$12,193,024	$3,168,169	26.0%

Status of Financing

According to the Limited Offering Memorandum, private infrastructure improvements include mobilization and demolition costs, site work, alleys, clubhouse improvements, including related fencing, and related surveying and engineering costs. The total cost of all public infrastructure improvements was estimated to be $18,197,471 at the time of Bond issuance and the total costs of all private infrastructure improvements was estimated to be $10,002,774. All of such costs not paid with 2006 Bond proceeds would be paid from Company funds. The public and private infrastructure improvements for each phase of the development are expected to be constructed and paid for as each Phase is developed with the exception of clubhouse and related

improvements, which are required to be constructed in Phase 1B.

As outlined in the Limited Offering Memorandum, both the company and Chesapeake Homes have received loans from Bank of America, N.A. (the "Bank") in connection with the development. Such loans were secured by a deed of trust lien on all of the Company's properties within the district. The loan to Chesapeake Homes (the "Chesapeake Home Loan") was in the maximum amount of $50,000,000, only $12,000,000 of which may be used for home development in the development, and was further secured by a guaranty agreement made by the company and a guaranty agreement made by Steven and Arthur Sandler. The Chesapeake Homes Loan was payable monthly at the rate of 30-day LIBOR plus 2% for funds draw down by February 1, 2006, and 30-day LIBOR plus 2.25% for funds drawn down thereafter, with the principal balance due on July 31, 2007.

As of March 31, 2007, the company reported that the Chesapeake Home Loan was renewed in July 2006 and the maximum borrowing capacity was increased from $50,000,000 to $70,000,000. The company also reported that the Chesapeake Home Loan facility may be used to fund other homebuilding projects, as approved by the bank. As of March 31, 2007, the company reported that the amounts drawn and repaid on the Chesapeake Home Loan were $11,438,089 and $9,071,616, respectively, resulting in an outstanding balance of $2,366,473. The company also reports that the interest rate on the Chesapeake Home Loan was 1-month LIBOR plus 2.25 percent, which was equal to 7.57 percent as of March 31, 2007.

As outlined in the Limited Offering Memorandum, the loan to the company from the Bank (the "Company Loan") was a $35,625,000 revolving loan under which not more than $19,000,000 may be advanced and outstanding at any one time. The Company Loan had release provisions upon the sale of lots equal to the greater of 86 percent of a lot's sale price or a minimum lot release amount (such amounts range from $29,900 to $61,600). Interest on the Company Loan was payable monthly, at a rate equal to 30 day LIBOR plus 2.25%, with the principal balance due on July 21, 2008, subject to extension until July 21, 2009, provided certain conditions have been met. The Company was required to make cumulative principal payments of no less than $5,225,000 by July 21, 2006, $13,725,000 by July 21, 2006, $22,625,000 by July 21, 2007, and $30,625,000 by July 21, 2008. The Company Loan was further secured by personal guarantees of Steven Sandler and Arthur Sandler.

The company reports that the amounts drawn and repaid on the Company Loan through March 31, 2007 were $21,294,597 and $7,068,469, respectively, resulting in an outstanding balance of $14,226,128. The company also reports that the interest rate on the Company Loan was 1-month LIBOR plus 2.25 percent, which was equal to 7.57 percent as of March 31, 2006.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2006 Bonds is Manufacturers and Traders Trust Company. The following table shows the initial balance, interest paid, additional proceeds, disbursements and fund account balances as of December 31, 2006.

Table IV - 1
Fund Balances

	Initial Deposit	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/06
Capitalized Interest Account	$1,818,282	$22,122	$13,433	$243,609	$1,610,229
Project Fund	$12,193,024	$72,939	$0	$3,168,169	$9,097,793
Cost of Issuance Account	$389,609	$803	$0	$359,294	$31,118
Debt Service Reserve Fund	$1,520,486	$11,632	$0	$11,632	$1,520,486
Administrative Expense Fund	$75,000	$1,802	$0	$4,354	$72,448
Total	$15,996,400	$109,297	$13,433	$3,787,057	$12,332,074

The additional proceeds to the Capitalized Interest Account are transfers of investment income from the Debt Service Reserve Fund and the Administrative Expense Fund. Disbursements from the Capitalized Interest Accounts were for the payment of debt service. Disbursements from the Project Account are for the costs of constructing the public improvements. Disbursements from the Cost of Issuance Account were payments for the costs of issuing the Series 2006 Bonds. Disbursements from the Administrative Expense Fund were for the payment for administrative expenses.

The interest paid through December 31, 2006 does not include interest accrued but not yet paid. Bond proceeds in the Series 2006 Debt Service Reserve Fund are invested in a Societe Generale Repurchase Agreement earning 5.197 percent per year and maturing on March 1, 2011. The remaining bond proceeds are invested in money market funds currently earning between 4.66 and 5.2 percent per year. Table IV-2 shows the approximate rates of return on the investments.

According to Section 7.5 of the Trust Indenture dated May 1, 2006, investment earnings credited to the Debt Service Reserve Fund or valuation of securities in which money in the Debt Service Reserve Fund are invested, the trustee shall, subject to Section 8.1(b) thereof, transfer such excess to the Capitalized Interest Account of the Project Fund prior to September 2, 2008, and thereafter to the Interest Account of the Bond Fund.

Table IV - 2

Account	Rate of Return
Cap I Account	5.19%
Project Fund	5.20%
COI Account	4.66%
Debt Service Reserve Fund	5.20%
Admin Expense Fund	4.66%

V. DISTRICT OPERATIONS

A. SPECIAL ASSESSMENTS LEVIED AND COLLECTED

The levy of special assessments was authorized pursuant to the Special Assessment Ordinance. Bond proceeds deposited to the Capitalized Interest Account, investment income earned on the Reserve Fund and the bond proceeds deposited to the Administrative Expense Fund exceed debt service and administrative expenses for fiscal year 2007. As a result, the Annual Installment of Special Assessments for the 2007 tax year is zero and special assessments will not be levied or collected on the assessed property within the CDA for the 2007 tax year. An explanation follows of the projected expenses of the CDA and the source of funds available to pay the expenses.

Annual Revenue Requirement

An Annual Installment of Special Assessments is to be levied and collected from each parcel of assessed property within the CDA (except those parcels for which the Principal Portion of the Special Assessment has been prepaid) each year in an amount equal to the "Annual Revenue Requirement."

According to the Rate and Method of Apportionment (RMA) of Special Assessments for the New Port Community Development Authority, The Annual Revenue Requirement means:

> For any tax year, the sum of the following, (1) debt service on the bonds to be paid from the Annual Installments; (2) periodic costs associated with such bonds, including but not limited to rebate payments and credit enhancements on the bonds; and (3) administrative expenses; less (4) any credits applied under the bond Indenture, such as interest earnings on any account balances, and (b) any other funds available to the CDA that may be applied to the Annual Revenue Requirement.

As shown in Table V-1 in the following page, investment income and available funds are estimated to exceed expenses for the 2007 tax year. As a result, the Annual Revenue Requirement for the 2007 tax year is zero.

Table V-1 provides a summary of the Annual Revenue Requirement for fiscal year 2007. Each of these numbers is explained in the following sections.

Table V-1
FY2007 Annual Revenue Requirement

Debt Service:	
Interest Payment, March 1, 2008	$452,058
Interest Payment, September 1, 2008	$452,058
Principal Payment, September 1, 2008	$0
Total Debt Service	$904,115
Administrative Expenses	$25,000
Sub-Total Expenses	$929,115
Available Administrative Expenses Account	($25,000)
Available Capitalized Interest Account	($904,115)
Sub-Total Available Funds	($929,115)
Annual Revenue Requirement for 2007	$0

Debt Service

Debt service includes interest on the Series 2006 Bonds payable on March 1, 2008 and September 1, 2008. Each semi-annual interest payment on the Series 2006 Bonds is $452,057.50 and is equal to a coupon rate of 5.50 percent on an outstanding principal balance of $5,325,000, and coupon rate of 5.60 percent on an outstanding principal balance of $10,915,000. There is no principal payment due on Series 2006 Bonds on September 1, 2008. As a result, total debt service on the Series 2006 Bonds is for tax year 2008 is $904,115.00.

Administrative Expenses

Administrative expenses include the trustee, the administrator, and other administrative expenses for services related to the district. The Administrative Expense Fund was pre-funded for three years with $75,000 in bond proceeds when the Series 2006 Bonds were issued. A portion of these funds will be used to fund administrative expenses in 2007.

The estimated expenses for CDA operations in fiscal year 2007 are shown in Table V-2.

Table V-2
Estimated Expenses for CDA Operations
Fiscal Year 2007

Trustee	$3,750
Administrator including Arbitrage calculation	$13,250
Miscellaneous (CDA meetings, CDA counsel, tax returns, audit, insurance, and other unanticipated administrative expenses)	$8,000
Total Administrative Expenses 2007	$25,000

Reserve Fund Interest Income

As of November 30, 2006, the balance in the Reserve Fund was $1,532,072.40, which is equal to the reserve requirement of $1,520,485.61 and Reserve Fund investment income of $11,586.79. The reserve requirement is invested in Societe Generale Repurchase Agreement (REPO) that is earning 5.197 percent per annum and maturing on March 1, 2011. The yield on the reserve requirement of $1,520,485.61 will result in annual investment income of $79,019.64. Pursuant to Section 7.5 of the Trust Indenture dated May 1, 2006, investment earnings through September 2, 2008 on the Series 2006 Reserve Fund are to be transferred to the Capitalized Interest Account and, thereafter, to the Bond Fund to pay debt service on the Series 2006 Bonds.

Available Capitalized Interest

As of November 30, 2006, the balance in the Series 2006 Capitalized Interest Account was $1,596,710.44. A portion of these proceeds will be used to pay debt service on Series 2006 Bonds in the amount of $452,057.50 due on March 1 2007, resulting in a remaining balance of $1,178,751.17 that will be available to pay debt service on the bonds in 2007 and 2008, as shown in Table V-3 below.

Table V-3
Available Capitalized Interest Account

	Series 2006 Bonds
Capitalized Interest Balance on November 30, 2006	$1,596,710
Interest earned through February 28, 2007	$34,098
Debt Service on March 1, 2007	($452,058)
Capitalized Interest Account Balance on March 1, 2007	$1,178,751
Interest earned through August 31, 2007	$29,171
Reserve Fund investment income through September 1, 2007	$90,472
Debt Service on September 1, 2007	($452,058)
Capitalized Interest Account Balance on September 1, 2007	$846,336
Interest earned through February 28, 2008	$21,992
Interest earned through August 31, 2008	$10,817
Reserve Fund investment income through September 1, 2008	$79,020
Available Capitalized Interest	$958,165

Bond proceeds in the Series 2006 Capitalized Interest Account are invested in a Societe Generale Repurchase Agreement (REPO) that is earning 5.197 percent per annum and maturing on September 1, 2008. At the current interest rate, an estimated $34,098.23 in interest will be earned on the Series 2006 Capitalized Interest Account through the debt payment period of March 1, 2007. An additional $29,171.17 and 32,808.86 in estimated investment income will be earned on the Series 2006 Capitalized Interest Account through the debt payment period of September 1, 2007 and September 1, 2008, respectively. This results in an estimated total investment income of $96,078.26 for the Series 2006 Capitalized Interest Account. Reserve Fund investment income of $169,491.27 is also estimated to be transferred to the Capitalized Interest Account, as explained above. Accordingly, total Capitalized Interest amount available to pay debt service in tax year 2007 is estimated to be $958,164.97.

Summary

The estimated expenses of the district for 2007 are $929,115. The estimated funds available to pay these expenses are $929,115, resulting in an annual revenue requirement of zero.

B. DELINQUENT ASSESSMENTS

There were no special assessments levied in fiscal year 2007. As a result, there are no delinquent special assessments for fiscal year 2007.

C. COLLECTION EFFORTS

There are no collection efforts underway.

VI. DISTRICT FINANCIAL INFORMATION

The information provided in this section is intended 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 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, 2006, unless otherwise stated.

A. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL ASSESSMENTS

There have been no changes to the Rate and Method of Apportionment of Special Assessments.

B. SPECIAL ASSESSMENT LEVY

There were no special assessments levied for fiscal year 2007. Additional information regarding special assessments for the district is provided in detail in Section V of this report, "District Operations".

C. SPECIAL ASSESSMENTS BY PROPERTY OWNER

There were no special assessments levied for fiscal year 2007. As a result, there are no district taxpayers representing more than five percent of the levy of special assessments for the fiscal year.

D. SIGNIFICANT AMENDMENTS TO LAND USE OR LEGAL CHALLENGES TO CONSTRUCTION OF THE DEVELOPMENT OR THE DISTRICT

As of March 31, 2007, the company reports that there have been no significant amendments to land use entitlement or legal challenges to the construction.

E. CHANGES APPROVED BY THE AUTHORITY

As of March 31, 2007, the company reports that there have been no changes approved by the Authority to the 2006 Bond Facilities to be constructed from those stated in the Limited Offering Memorandum.

F. SPECIAL ASSESSMENTS COLLECTED

There were no assessments levied in fiscal year 2007. As a result, there have been no special assessments collected in fiscal year 2007.

G. NOTICES TO THE OWNERS

Information regarding Notice Events is provided below in Section VII "Notice Events" of this report.

VII. NOTICE EVENTS

A. COMPANY SIGNIFICANT EVENTS

Company's significant events generally include the following:

(i.) failure to pay any real property taxes (including the special assessments) levied within the development on a parcel owned by the company;

(ii.) material damage to or destruction of any improvements within the district;

(iii.) material default by the company on any loan with respect to the construction or permanent financing of the development;

(iv.) material default by the company thereof on any loan secured by property within the district owned by the company;

(v.) the filing of the company, any general partner of the company or any owner of more than a 25% interest in the company in bankruptcy or any determination that the company or an owner of an interest in the company or a subsidiary is unable to pay its debts as they become due; and

(vi.) material default by the development owner, the company or any affiliate thereof on any loan with respect to the construction or permanent financing of the development;

(vii.) the filing of any lawsuit with claim for damages in excess of $1,000,000 against the company, which may adversely affect the completion of the 2006 Bond Facilities or the development or litigation in excess of $1,000,000 which would materially adversely affect the financial condition of the company;

Inquiries have been made with the company regarding the occurrence of any significant event and the company reported that no significant events have occurred as of December 31, 2006.

B. LISTED EVENTS

The administrator is required to file a notice to the State Depository (if any), each National Repository, or the Municipal Securities Rulemaking Board to report the occurrence of the following listed events of which the administrator has actual knowledge. The administrator shall also immediately report such event to the trustee and to the Authority.

Listed events include the following:

(i) delinquency in payment when due of any principal of or interest on 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 bondholders;

(iv) giving of notice of optional or unscheduled redemption of bonds;

(v) defeasance of Bonds or any portion thereof;

(vi) any change in the rating, if any, on the bonds;

(vii) adverse tax opinions or events affecting the tax-exempt status of the bonds;

(viii) the release or substitution of property securing repayment of bonds through special assessments; and

(ix) the continuing disclosure event notices provided to the administrator by the company as more particularly set forth in the Company's Continuing Disclosure Agreement so long as the company own property in the district.

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

Additionally, the administrator does not have knowledge of any of the following: (i) changes to the "Rate and Method of Apportionment of Special Taxes," (ii) significant amendments to land use entitlements or legal challenges to the construction of the development, or (iii) changes approved by the authority in the 2006 Bond Facilities to be constructed from those described the Limited Offering Memorandum.