DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Year Ending December 31, 2007

$9,440,000 H2O Community Development Authority
Special Assessment Bonds Series 2007
(City of Hampton, Virginia)

Prepared by:

MUNICAP, INC.

July 21, 2008

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. *UPDATED INFORMATION*

Information updated from the Limited Offering Memorandum for the Series 2007 Bonds is as follows:

- As of December 31, 2007, the Company reported that all of Phase I land development permits and Phase II wetland permit have been approved and received.

- As of December 31, 2007, the Company reported that a total of 246 lots have been conveyed to the builder, Chesapeake Homes, including 90 Phase I four-story multi-family flats, 102 Phase I four-story stacked town homes, and 54 Phase I three-story stacked town homes.

- As of December 31, 2007, the Company reported that a total of seven building permits were obtained by the homebuilder.

- As of December 31, 2007, the Company reports that all on-site stone base and curb and gutter related to road improvements have been completed.

- As of December 31, 2007, the Company reports that demolition of Freeman Drive has been completed and reconstruction is currently underway.

- As of December 31, 2007, the Company reports that the remaining work related to road improvements include asphalt base and top courses on all on-site (internal) roadways and Freeman Drive.

- The Company reports that installation of all on-site (internal) water mains, and the water main on Freeman Drive had been completed. The installation of on-site water services is currently underway.

- As of December 31, 2007, the Company reports that construction of sanitary sewer infrastructure and the storm water management system had been completed.

- As of December 31, 2007, the Company reports that landscaping design and planning is currently underway with development work to commence in future.

- As of December 31, 2007, the Company reported that the total amount of the bond proceeds disbursed for public improvements was $3,833,552.

- As of December 31, 2007, the Company reports that it made a payment on the Land Disposition and Development Agreement promissory note in the amount of $1,507,367.50, which was based on 50% of the purchase price of land due at the issuance of first building permit.

- As of December 31, 2007, the Company reports that the outstanding amount on the Land Disposition and Development Agreement promissory note is $2,647,367.50.
- As of December 31, 2007, the Company reports that the loan to Chesapeake

Homes (the "Chesapeake Home Loan") from Bank of America is in the maximum amount of $70,000,000. In October 2007, Bank of America increased its deed of trust on the property to $30,000,000, which is the maximum estimated balance required to complete construction of the project.

- As of December 31, 2007, the Company reports that it has drawn $13,214,900 on the Chesapeake Home Loan payable monthly at an interest rate of LIBOR plus 2.25 percent.

- There were no special assessments levied for collection in tax years 2007-2008 and 2008-2009. As a result, there are no delinquent special assessments for tax years 2007-2008 and 2008-2009.

II. INTRODUCTION

The H2O Community Development Authority (the "District") was created by Ordinance No. 05-0589 (the "District Ordinance") adopted by the City Hampton, Virginia (the "City") on September 28, 2005. The $9,440,000 Series 2007 Special Assessment Bonds (the "Series 2007 Bonds"), were issued 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, 2007, between the New Port Community Development Authority (the "Authority") and Manufacturers and Traders Trust Company, as trustee (the "Trustee").

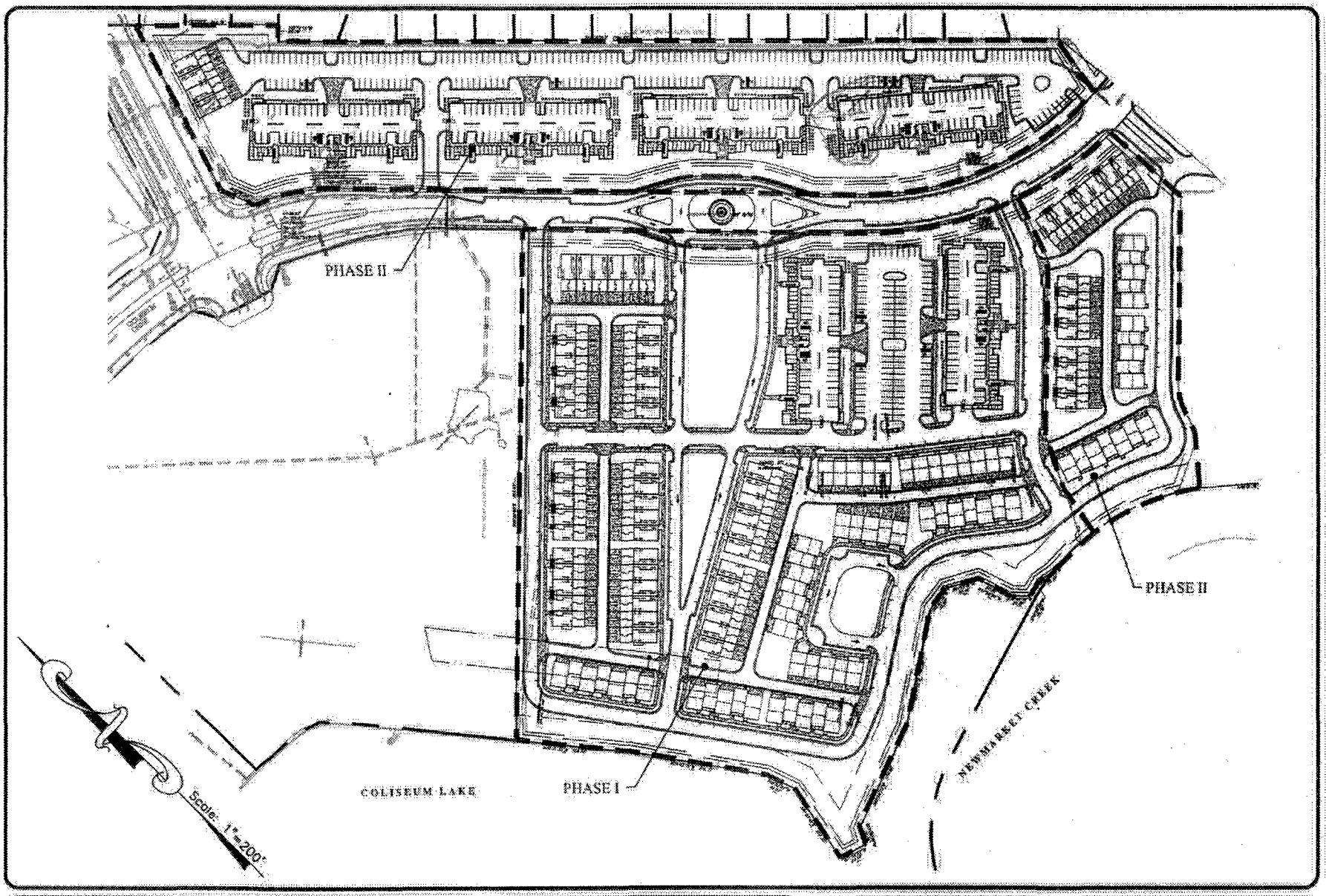
The Series 2007 Bonds were issued to finance certain public infrastructure improvements including road improvements, signage, updated and relocated utilities, lighting, fencing, sidewalks and streetscape, water distribution systems, and wastewater collection systems.

The district, which consist of approximately 25.2 acres, is located in the City of Hampton, Virginia on a site located adjacent to Freeman Drive approximately one-quarter of a mile from both the Hampton Coliseum and the Hampton Roads Convention Center. The district is approximately three miles northwest of downtown. The district is bound to the northeast by the Wilkins Park Neighborhood, on the southeast by Newmarket Creek and Interstate 64, on the west by Lake Hampton/Coliseum Lake, and on the south by Newmarket Creek. The district is located approximately seven miles from downtown Newport News and approximately twenty-five miles east of the City of Williamsburg's historic district. The land within the district is initially being developed in two phases, with the potential for two additional phases. The development is expected to include 583 residential units, consisting of approximately 270 four-story multi-family flats, approximately 148 four-story single-family stacked town homes and approximately 165 three-story stacked town homes.

The land in the district is owned and developed by Sandler at Coliseum Central, L.L.C. (the "Company"). The Company is an affiliate of L.M. Sandler & Sons, Inc.

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. 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, 2007, 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.



H2O
HAMPTON ROADS

EXHIBIT 2
Conceptual Site Plan

Kimley-Horn and Associates, Inc.
Suite 300
501 Independence Parkway
Chesapeake, Virginia 23320
Tel: (757) 546-7300
Fax: (757) 546-7301

Drawing name: K:\116082000 Hampton Greenways\116082000\DWG\EXHIBIT\116082000_EngReqEXH01.dwg ashb.fd02 Mar 06, 2007 5:00pm by: george.rodriguez

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The district, which consist of approximately 25.2 acres, is located in the City of Hampton, Virginia on a site located adjacent to Freeman Drive approximately one-quarter of a mile from both the Hampton Coliseum and the Hampton Roads Convention Center. The district is approximately three miles northwest of downtown. The district is bound to the northeast by the Wilkins Park Neighborhood, on the southeast by Newmarket Creek and Interstate 64, on the west by Lake Hampton/Coliseum Lake, and on the south by Newmarket Creek. The district is located approximately seven miles from downtown Newport News and approximately twenty-five miles east of the City of Williamsburg's historic district.

The development is expected to include 583 residential units, consisting of approximately 270 four-story multi-family flats, approximately 148 four-story single-family stacked town homes and approximately 165 three-story stacked town homes. The land with in the district is initially being developed in two phases, with the potential for two additional phases.

The Series 2007 Bonds were issued to finance the public infrastructure improvements including road improvements, signage, updated and relocated utilities, lighting, fencing, sidewalks and streetscape, water distribution systems, and wastewater collection systems.

B. DEVELOPER AND LAND OWNERS

The property in the district is currently owned and developed by Sandler at Coliseum Central, 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, is expected to build the three-story detached town homes and the four-story stacked town homes. Chesapeake Homes or other builders selected by the Company are expected to construct the multi-family flats.

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 for code compliance with respect to planning and development would be required as construction is initiated. Such approvals include land disturbance permit, wetland permit, site construction permit, water distribution system permit, and final site plan approval for each phase of the development. According to the Limited Offering Memorandum, discretionary permits have already been obtained at the time of bond closing to avoid any potential delays in the development process.

Table III-1 below shows the infrastructure permits and approvals required by phase, the

permitting agency, actual and/or projected permit time frame reported by the Company as of December 31, 2007.

Table III-1
Status of Permits and Approvals

Permit/Approval	Approved	Projected date of Permit	Permit Status
Phase I			
Final Site Plan Approval	Yes	NA - approved	Approved by City of Hampton
Land Disturbance Permit	Yes	NA - approved	Approved by City of Hampton
Wetlands Permit	Yes	NA - approved	Wetland Permit obtained
Site Construction Permit	Yes	NA - approved	Approved by City of Hampton
Water Distribution System	Yes	NA - approved	Approved by City of Newport News Waterworks
Phase II			
Wetland Permit	Yes	NA – approved	Wetland Permit obtained
Land Disturbance Permit	No	February 2009	Not submitted for approval
Site Construction Permit	No	March 2009	Not submitted for approval
Water Distribution System	No	May 2009	Not submitted for approval
Final Site Plan Approval	No	April 2009	Not submitted for approval

(ii) Status of Vertical Development

According to the Limited Offering Memorandum, H2O CDA is initially being developed in two phases, with the potential for two additional phases, at the Company's option. Phase I of the development is expected to include 90 four-story multi-family flats, 102 four-story stacked town homes, and 54 three-story town homes. Construction of Phase I units was expected to have been completed in the fourth quarter of 2007, with final sell-out expected to occur in first quarter of 2011. Phase II of the development is projected to include 180 four-story multi-family flats, 38 four-story stacked town homes, and 17 three-story stacked town homes. Phase II construction is anticipated to commence in 2010 and is expected to be completed within thirty months. According to the Limited Offering Memorandum, a tentative development plan for Phase III is expected to have eight four-story stacked town homes and 31 three-story stacked town homes. Phase IV is expected to include 63 three-story stacked town homes. Development and construction of Phases III and IV is expected to begin commensurate with sales absorption of Phases I and II.

According to the Limited Offering Memorandum, the four-story multi-family flats are anticipated to feature one to two bedrooms and one to two bathrooms. The four-story multi-family flats are estimated to range from 843 to 1,584 square feet of living space. The four-story multi-family flats are expected to be constructed in a four-story podium building, with parking on the first

level and three levels of on-story units. The four-story stacked town homes are projected to feature two to three bedrooms and two bathrooms. The four-story stacked town homes are estimated to range in size from between approximately 1,227 to 2,224 square feet of living space. The three-story stacked town homes are expected to feature three to four bedrooms and two bathrooms and are estimated to have approximately 1,813 to 2,152 square feet of living space.

Table III-2 below shows the types of residential units, average square footage and number of units as reported by the Company as of December 31, 2007.

Table III-2
Planned Units to be Developed

Type of Residential Unit	Average Square Footage	Number of Units*
Four-story multi-family flats	1,208	270
Four-story stacked town homes	1,793	148
Three-story stacked town homes	1,983	165
Total		**583**
*Includes units from all four phases.		

(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.

As of December 31, 2007, the Company reported that a total of 246 lots have been conveyed to the builder, Chesapeake Homes, including 90 Phase I four-story multi-family flats, 102 Phase I four-story stacked town homes, and 54 Phase I three-story stacked town homes.

Table III-3 on the following page 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 December 31, 2007.

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

Unit Type	Builder	Number of lots sold to Homebuilder	Number of lots settled with Homebuilder
Phase I			
Four-story multi-family flats	Chesapeake Homes	90	90
Four-story stacked town homes	Chesapeake Homes	102	102
Three-story town homes	Chesapeake Homes	54	54
Phase II			
Four-story multi-family flats	Chesapeake Homes	180	0
Four-story stacked town homes	Chesapeake Homes	38	0
Three-story town homes	Chesapeake Homes	17	0
Total		481	246

(iv) Status of Home Sales and Closings

As of December 31, 2007, the Company reports that the homebuilder obtained a total of seven building permits. The Company also reports that no homes were sold as of December 31, 2007.

Table III-4 on 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 December 31, 2007.

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

Unit Type	Planned Number of Units	Building Permits Issued	Homes Sold	Homes Closed
Phase 1				
Four-story multi-family flats	90	0	0	0
Four-story stacked town homes	102	0	0	0
Three-story town homes	54	7	0	0
Phase 2				
Four-story multi-family flats	180	0	0	0
Four-story stacked town homes	38	0	0	0
Three-story town homes	17	0	0	0
Total	481	7	0	0

D. PROPOSED PUBLIC IMPROVEMENTS

According to the Limited Offering Memorandum, the public infrastructure improvements include roads, alleys, parking, storm water management, sanitary sewer management, the Freeman Drive improvements, relocation of Coliseum power line, storm sewer, other utilities, and landscaping costs.

As outlined in the Limited Offering Memorandum, the proposed public improvement include construction of roadways and alleys within the CDA. Other on-site infrastructure costs are related to the construction of parking, sidewalks, and pavers located outside the Freeman Drive corridor, but located within the CDA. The Freeman Drive improvements include widening and pavement surface overly, sidewalks, and landscaping/hardscaping.

As outlined in the Limited Offering Memorandum, the sanitary sewer system improvements include a new network of eight inch gravity sewer mains and manholes with connections to gravity main manholes on Freeman Drive. Storm water management improvements include storm drainage collection structures, storm sewer piping, and outfalls to existing drainage features. The existing Coliseum Lake will provide storm water quality and quantity control. This lake, which discharges into New Market Creek, will accommodate drainage from the entire CDA. Direct discharge into New Market Creek is anticipated for a portion of Phase II of H20 but the design of this system is not anticipated to include additional storm water management measures.

As outlined in the Limited Offering Memorandum, the landscaping cost include walks, seating areas, low decorative walls, decorative paving, signage, lighting, street trees, shrub plantings, and irrigation. The Company is expected to build a clubhouse, swimming pool, walks, landscaping, and irrigation system as central amenities for the development.

Status of Construction of the Public Improvements

As of December 31, 2007, the Company reports that on-site stone base and curb and gutter has been completed. The Company reports that demolition of Freeman Drive has also been completed and reconstruction is currently underway. The remaining road improvements include asphalt base and top courses of all on-site roadways and Freeman Drive. The Company reports that installation of all on-site (internal) water mains and the water mains on Freeman Drive have been installed. The Company also reports that installation of on-site water services are currently underway.

As of December 31, 2007, the Company reports that the construction of the sanitary sewer infrastructure and storm water management system has been completed. The Company also reports that landscaping design and planning has commenced with development work to follow in the future.

As of December 31, 2007, the Company reports that the total amount of bond proceeds expressed for the public improvements was $3,833,552.

Table III-5 below shows the public improvements, the original budget, budget changes, the revised budget and the amount spent, as of December 31, 2007.

Table III-5
Status of Completion of Public Improvements

Public Improvement	Original Budget	Budget Change	Revised Budget	Spent to Date	Percent Complete
On-site infrastructure	$4,096,850	$0	$4,096,850	$3,066,273	74.8%
Storm water management	$174,340	$0	$174,340	$2,200	1.3%
Sanitary sewer	$348,750	$0	$348,750	$195,713	56.1%
Freeman Drive improvements	$1,163,250	$0	$1,163,250	$334,492	28.8%
Relocation of Coliseum power line, Storm sewer and other utilities	$747,500	$0	$747,500	$215,760	28.9%
Landscaping	$575,000	$0	$575,000	$19,114	3.3%
Total	**$7,105,690**	**$0**	**$7,105,690**	**$3,833,552**	**54.0%**

Status of Financing

According to the Limited Offering Memorandum, public infrastructure improvements include costs associated with roads, alleys, parking, storm water management, sanitary sewer, the Freeman Drive improvements, relocation of Coliseum power line, storm sewer, other utilities, and landscaping. The total cost of all public infrastructure improvements was estimated to be $7,105,690 at the time of bond issuance. All such costs were to be paid with the Series 2007 Bond proceeds.

As outlined in the Limited Offering Memorandum, the Company and the Hampton Redevelopment and Housing Authority (the "HRHA"), entered into a Land Disposition and Development Agreement. Pursuant to the Land Agreement, the Company obtained a promissory note in the amount of $4,154,735, which allowed for the acquisition of the land that is co terminus with the CDA. The purchase price of the land is made of three components: (i) the "Base Purchase Price" equal to $130,000 per acre, plus (ii) the "Infrastructure Purchase Price" equal to $1,040,000, plus (iii) the "Hook-up Fee Purchase Price" equal to the amount of all credits received by the Company for utility hook-up fees from Hampton Roads Sanitation District and Newport News Waterworks stemming from the existing utilities from prior improvements at the site. Payment of the promissory note is secured by Lien of a Deed of Trust and Security Agreement in favor of HRHA (the "Land Agreement Deed of Trust"), which, by its terms, is subordinate to any conventional development construction financing.

As of December 31, 2007, the Company reports that it has drawn the promissory note in its entirety. The Company also reports that it has paid a portion of the purchase price for the land to HRHA earlier than was due at the request of the City of Hampton and HRHA. The Company also reports that it made a payment in the amount of $1,507,367.50 based on 50 percent of purchase price of land due at the issuance of first building permit. According to the Company, out of the total $1,507,367.50, the Company paid $1,070,772 on June 8, 2007 to facilitate the City's purchase of property necessary to accomplish its plans to relocate Freeman Drive and on October 26, 2007, a payment of $436,595.50 was made to HRHA. As of December 31, 2007, the outstanding balance of the Promissory Note is $2,647,367.50. The promissory note under the Land Disposition and Development Agreement pays no interest.

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 $70,000,000, only $6,000,000 of which may be used for home development and was further secured by a guaranty agreement made by the Company and a guaranty agreement made by Steven and Arthur Sandler. The Company reports that in October 2007, Bank of America increased its deed of trust on the property to $30,000,000, which is the maximum estimated balance required to complete construction of the project. According to the Company, HRHA agreed to this increase and subordinated its second lien on the project for this new financing. The Company reports that on October 31, 2007, Chesapeake Homes acquired 246 Phase I lots. In connection with this acquisition, Bank of America advanced $12,801,000 to Chesapeake Homes under the residential guidance facility. As of December 31, 2007, this account has an outstanding balance of $13,214,900. The interest on the loan is payable monthly at the rate of 30-day LIBOR plus 2.25%.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2007 Bonds is Manufacturers and Traders Trust Company. The following table shows the account balances as of December 31, 2006, interest paid, additional proceeds, disbursements and fund account balances, as of December 31, 2007.

Table IV - 1
Fund Balances

	Initial Balance	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/07
Interest Account	$0	$0	$143,173	$143,173	$0
Capitalized Interest Account	$992,016	$13,758	$0	$143,173	$862,601
Project Account	$6,989,759	$76,988	$0	$3,833,552	$3,233,195
Debt Service Reserve Fund	$844,357	$12,916	$0	$0	$857,272
Administrative Expense Fund	$71,294	$1,593	$0	$6,148	$66,739
Cost of Issuance Account	$400,975	$3,770	$0	$262,375	$142,370
Total	**$9,298,400**	**$109,024**	**$143,173**	**$4,388,421**	**$5,162,177**

Disbursements from the Capitalized Interest Account represent transfers to the Interest Account for the payment of debt service. Disbursements from Project Account represent payments to the developer for the cost of constructing public improvements.

Disbursements from the Cost of Issuance Account and Administrative Expense Fund represent payments for bond issuance related and administrative services, respectively.

The interest paid through December 31, 2007 does not include interest accrued but not yet paid. Most of the proceeds are invested in investment contracts or U.S. government securities that pay interest monthly or semi-annually. Table IV-2 below shows the approximate rate of return on the investments. Bond proceeds not in investment contracts are invested in money market funds currently earning approximately 4.11 percent.

Pursuant to Section 7.5 of the Trust Indenture, dated May 1, 2007, if the amount on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement as a result of investment earnings credited to the Debt Service Reserve Fund or valuation of securities in which money in the Debt Service Fund are invested, the trustee shall transfer such excess to the Capitalized Interest Account of the Project Fund prior to September 1, 2009; and thereafter to the Interest Account of the Bond Fund, or upon the written request of an authorized CDA representative, to the Administrative Expense Fund.

Table IV - 2

Account	Rate of Return
Capitalized Interest Account	5.066%
Project Account	5.066%
COI Account	4.11%
Reserve Account	5.066%
Admin Expense Fund	4.11%

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, interest income earned on the Reserve Fund and the bond proceeds deposited to the Administrative Expense Fund exceed debt service and administrative expenses for tax year 2008-2009. As a result, the Annual Installment of Special Assessments for the 2008-2009 tax year is zero and special assessments will not be levied or collected on the assessed property within the CDA for the 2008-2009 tax year. An explanation follows of the projected expenses of the CDA and the source of funds available to pay the expenses.

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 H2O 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, available funds and investment income are estimated to exceed expenses for the 2008-2009 tax year. As a result, the Annual Revenue Requirement for the 2008-2009 tax year is zero.

Table V-1 provides a summary of the Annual Revenue Requirement for tax year 2008. Each of these numbers is explained in the following sections.

Table V-1
FY2007 Annual Revenue Requirement

Debt Service:	
Interest Payment, March 1, 2009	$245,440
Interest Payment, September1, 2009	$245,440
Principal Payment, September 1, 2009	$0
Total Debt Service	$490,880
Administrative Expenses	$25,000
Sub-Total Expenses	$515,880
Available Administrative Expenses Account	($25,000)
Available Capitalized Interest Account	($490,880)
Sub-Total Available Funds	($515,880)
Annual Revenue Requirement for 2008	$0

Debt Service

Debt service includes interest on the Series 2007 Bonds payable on March 1, 2009 and September 1, 2009. Each semi-annual interest payment on the Series 2007 Bonds is $245,440 and is equal to a coupon rate of 5.20 percent on an outstanding principal balance of $9,440,000. There is no principal payment due on Series 2007 Bonds on September 1, 2009. As a result, total debt service on the Series 2007 Bonds for tax year 2008 is $490,880.

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 with $71,294 in bond proceeds when the Series 2007 Bonds were issued. A portion of these funds will be used to fund administrative expenses in 2008-2009.

The estimated expenses for CDA operations in tax year 2008-09 are shown in Table V-2.

Table V-2
Estimated Expenses for CDA Operations
Fiscal Year 2008

Trustee	$4,500
Administrator including Arbitrage calculation	$15,750
Miscellaneous (CDA meetings, CDA counsel, tax returns, audit, insurance, and other unanticipated administrative expenses)	$4,750
Total Administrative Expenses 2008	$25,000

Reserve Fund Interest Income

As of December 31, 2007, the balance in the Reserve Fund was $857,272, which is equal to the reserve requirement of $844,356 and Reserve Fund investment income of $12,916. The reserve

requirement is invested in a Depfa Repurchase Agreement (REPO) that is earning 5.066 percent per annum and maturing on March 1, 2011. The yield on the reserve requirement of $844,356 will result in estimated annual investment income of $42,775. Pursuant to Section 7.5 of the Trust Indenture dated May 1, 2007, investment earnings through September 2, 2009 on the Series 2007 Reserve Fund are to be transferred to the Capitalized Interest Account and thereafter to the Bond Fund to pay debt service on the Series 2007 Bonds.

Available Capitalized Interest

As of December 31, 2007, the balance in the Series 2007 Capitalized Interest Account was $862,601. A portion of these proceeds will be used to pay debt service on Series 2007 Bonds in the amount of $245,440 due on March 1 2008, resulting in a remaining balance of $617,161 that will be available to pay debt service on the bonds in bond year 2008-2009, as shown in Table V-3 below.

Table V-3
Available Capitalized Interest Account

	Series 2007 Bonds
Capitalized Interest Balance on December 31, 2007	$862,601
Debt Service on March 1, 2008	($245,440)
Capitalized Interest Account Balance on March 1, 2008	$617,161
Interest earned through March 1, 2008	$7,283
Interest earned through September 1, 2008	$15,633
Reserve Fund investment income through September 1, 2008	$41,432
Debt Service on September 1, 2008	($245,440)
Capitalized Interest Account Balance on September 1, 2008	$436,069
Interest earned through March 1, 2009	$11,046
Debt Service on March 1, 2009	($245,440)
Interest earned through September 1, 2009	$5,108
Reserve Fund investment income through September 1, 2009	$42,775
Debt Service on September 1, 2009	($245,440)
Available Capitalized Interest Account	$4,118

Bond proceeds in the Series 2007 Capitalized Interest Account are invested in a Depfa Repurchase Agreement (REPO) that is earning 5.066 percent per annum and maturing on September 1, 2009. At the current interest rate, an estimated $7,283 in interest will be earned on the Series 2007 Capitalized Interest Account through the debt payment period of March 1, 2008. In addition, an estimated $15,633, $11,046 and $5,408 in interest will be earned on the Series 2007 Capitalized Interest Account through the debt payment period of September 1, 2008, March 1, 2009 and September 1, 2009, respectively. This will result in total estimated interest earned in the amount of $39,070 for the Series 2007 Capitalized Interest Account. Reserve Fund investment income of $84,207 is also estimated to be transferred to the Capitalized Interest Account through September 1, 2009 as explained above.

Summary

The estimated expenses of the district for 2008 are $515,880. The estimated funds available

to pay these expenses are $515,880, resulting in an annual revenue requirement of zero.

B. DELINQUENT ASSESSMENTS

There were no special assessments levied in tax years 2007-2008 and 2008-2009. As a result, there are no delinquent special assessments at this time.

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, 2007, unless otherwise stated.

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

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

B. SPECIAL ASSESSMENT LEVY AND COLLECTED

There were no special assessments levied in tax years 2007-2008 and 2008-2009. 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 for collection in tax years 2007-2008 and 2008-2009. As a result, there were no district taxpayers responsible for more than five percent of the special assessments collected. The table below shows zero assessment levied on each parcel.

Table VI-1
Annual Special Assessments

Parcel	Tax Account Number	Annual Installment
D	301431	$0
D-1	301432	$0
D-2	301434	$0

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

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

F. 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.) 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, 2007.

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 legislative, administrative, or judicial challenges to the development, (iii) material changes in the plan to develop the 2007 bond facilities to be constructed from those described in the Limited Offering Memorandum, or (iv) amendments or supplements to the development/acquisition agreement other than described in Section III-D.