

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

*\$7,479,000 Mayor and City Council of Baltimore
(City of Baltimore, Maryland)
Special Obligation Bonds
(Harborview Lot #2 Project)
Series 2003*

Prepared by:

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ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

I.	UPDATED INFORMATION	1
II.	INTRODUCTION	2
III.	DEVELOPMENT ACTIVITY	3
	A. Overview	3
	B. Government Approvals and Permits	3
	C. Status of Development	3
	D. Status of Financing	5
IV.	TRUSTEE ACCOUNTS	8
V.	DISTRICT OPERATIONS	9
	A. Special Tax Requirement	9
	B. Delinquent Special Taxes	12
	C. Collection Efforts	12
VI.	DISTRICT FINANCIAL INFORMATION	13
	A. Fund Balances	13
	B. Changes to the Rate and Method of Apportionment	13
	C. Changes in the Ad Valorem Tax Rates	13
	D. Changes in the Assessed Value of Real Property	13
	E. Special Taxes Levied	13
	F. Ad Valorem and Special Taxes Collected	13
	G. Principal District Taxpayers	14
	H. Land Use Amendments	14
	I. Changes to the Development	14
	J. Debt Service Schedule	14
VII.	SIGNIFICANT EVENTS	16
	A. Developer Significant Events	16
	B. Listed Events	16

I. UPDATED INFORMATION

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

- According to the Developer, as of December 31, 2008, construction is complete on 88 residential units with contracts settled on 41 units.
- According to the Developer, as of December 31, 2008, the average sales price for units settled in the Development is \$1,183,635.
- As of December 31, 2008, the developer reports that \$6,068,732 has been expended for the construction of the public improvements, representing 95 percent of the budgeted amount.
- According to the Developer, as of December 31, 2008, the current balance on the Revolving Loan is \$16,312,979 with interest payments paid monthly at prime plus 2.75 percent and principal repayments made at a specified amount at closing of each lot sale.
- The real property tax rate for the City of Baltimore in fiscal year 2008-2009 was \$2.268 per \$100 of assessed value. There has been no change to the city real property tax.
- According to the City of Baltimore, the fiscal year 2008-2009 assessed value for taxable property in the district is equal to \$41,886,940.00 as compared to the January 1, 2001 base year value of \$1,169,800. Accordingly, the incremental assessed value is, therefore equal to \$40,717,140.00 ($\$41,886,940.00 - \$1,169,800.00 = \$40,717,140.00$).
- The total expenses of the district for fiscal year 2008-2009 are estimated to be equal to \$694,443.10. Tax increment revenues and interest earnings available to pay expenses are estimated to be \$838,850.10.
- Projected ad valorem property taxes in the amount of \$949,996 were to be collected from the property within the District in fiscal year 2008. According to the City of Baltimore tax records, real property taxes in the amount of \$578,723 have been collected in the District. Collections for the delinquent balance are still ongoing.
- As of December 31, 2008, the City of Baltimore reports the collection of \$63,206 of the \$160,432 real property taxes due from Harborview Limited (Developer) for fiscal year 2008-2009, which represent 38 percent of total real property taxes due from Developer.

II. INTRODUCTION

Special Obligation Bonds (Harborview Lot #2 Project) Series 2003 (the “2003 Bonds”), of the Mayor and City Council of Baltimore, were issued pursuant to the provisions of Article II, Section (62) of the Baltimore City Charter (1996 Edition), as amended (the “Tax Increment Act”), and Article II, Section (62A) of the Baltimore City Charter (1996 Edition), as amended (the “Special Taxing District Act”) (the Tax Increment Act and the Special Taxing District Act being collectively referred to as the “Enabling Acts”), and an Indenture of Trust by and between the Mayor and City Council of Baltimore (the “City”) and M&T Trust Services (formerly, Allfirst Trust Company National Association) as trustee (the “Trustee”), dated as of May 1, 2003 (the “Indenture”) and a Limited Offering Memorandum dated April 28, 2003.

According to the Limited Offering Memorandum, Harborview Lot #2 (the “Development”) is part of a 42-acre waterfront, mixed-used development in South Baltimore, Maryland known as Harborview (“Harborview”). The Development is located approximately ten minutes by foot along the Baltimore Inner Harbor promenade from the heart of Harborplace and the central business district, approximately fifteen minutes by car from the Baltimore/Washington International Airport, and approximately thirty minutes by car from the D.C. beltway.

Upon completion of the infrastructure improvements, the property in the Development will consist of approximately 3.794 acres owned by Harborview Limited Partnership No. 2 (the “Owner”). At the time of bond issuance, the Development was designed to include 88 for-sale pier homes and town homes.

The Development is being co-developed by HV Development & Contracting Co. (“HV Development”) and Legacy-Harrison Enterprises, LLC (“Legacy-Harrison”). The Developers have entered into the Development Agreement with the Owner. HV Development is a Swirnow group entity, headed by Richard A. Swirnow. Mr. Swirnow originally acquired the Harborview property in 1986 and with his organization has been the driving force in all aspects of the design, development and marketing of Harborview as the premier residential development in Baltimore. Legacy-Harrison focuses on residential and commercial development as well as consulting services.

According to the Limited Offering Memorandum, bond proceeds in the amount of \$5,000,000 were used to construct public improvements consisting of a 20-foot wide public promenade, an 8-foot wide landscaped area behind the promenade and related amenities, a 12-foot wide handicapped accessible concrete framed ramp on pile foundations to connect the newly constructed promenade to the existing promenade on an adjacent parcel and a paved access path connecting Key Highway to the newly constructed promenade; the demolition of the existing platforms and bulkheading within the District and the construction of new sheetpile bulkheading along the water’s edge, including related tiebacks and backfill; and other related public infrastructure improvements that may be necessary for the completion of these infrastructure improvement for their intended public purposes.

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

No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of December 31, 2008, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

Harborview Lot #2 is one of seven subdivided parcels located in the 42 acre mixed-used site known as Harborview. Harborview is located in South Baltimore, Maryland along Key Highway. The northern end of the site is adjacent to the Baltimore Inner Harbor with Rash Field, the Maryland Science Center, the Harbor place Pavilions and the National Aquarium at Baltimore.

According to the Limited Offering Memorandum, at the time of bond issuance, development plans included 88 residential units, composed of 56 luxury pier homes and 32 luxury landside town homes. The Development is being designed with the look and feel of the Old World, European, or Venetian community. As located within Harborview, residents will have access to many of the amenities such as the Harborview Health Club, the Harborview Marina and its “floating” barge swimming pool, the “Catalina” restaurant, a full service restaurant and bar facility, “Barista Bistro,” a coffee and light fare bistro, and park-like grounds which include a waterfront promenade, a 1,000 foot pier located in the marina and the fountains and waterfalls of a canal system which runs throughout the Townes at Harborview.

Upon completion of the Infrastructure Improvements, the Development will contain approximately 3.794 acres, 1.940 acres of pier area and 1.854 acres of land area. At issuance, the development of the improvements was scheduled to take place in five general phases over a period of twelve months. During the first phase, demolition of existing infrastructure was to occur. During the second phase, installation and preparation for sheet piles and bulkheads was to occur. Phase three consisted of surcharging the site once the new bulkhead is installed and all fill is in place. Phases four and five were to involve residential unit, promenade, and landscape construction. Residential unit construction was expected to begin approximately ten months from the beginning of the construction of the infrastructure improvements.

B. GOVERNMENT APPROVAL AND PERMITS

According to the Limited Offering Memorandum, at the time of bond issuance, the Infrastructure Improvements had been approved by the U.S. Army Corps of Engineers and the Maryland Department of the Environment. In addition, the Baltimore City Planning Commission had granted final development plan approval for the Development.

Table III-1 below shows the status of government approvals and permits as of December 31, 2008.

Table III-1
Approval Status

Permit	Permitting Agency	Date Approved
Site Plan	Baltimore City Review Committee	10/15/2002
Work Permit	U.S. Army COE	11/29/2002
Private Wetlands Permit	MD Dept. of Environment	11/7/2002
Final Development Plan	Baltimore City Planning Commission	12/12/2002
Site Demolition Permit	City of Baltimore	Approved
Infrastructure Permits	City of Baltimore	Approved

C. STATUS OF DEVELOPMENT

Table III-2 on the following page outlines the development status:

Table III-2
Development Schedule

Development Activity	Percent Complete
Marine Contractor Mobilization	100%
Test Pile Program	NA
Demolition	
<i>Demolition – Land Side</i>	100%
<i>Demolition – Fast Land Area</i>	100%
Fill, Compaction & Grading	NA
Bulkhead	
<i>Bulkhead – Sheetpile & Rakers</i>	100%
<i>Bulkhead – Concrete</i>	100%
Construction Costs - Pier A	100%
Construction Costs - Pier B	100%
Riprap	100%
Promenade	100%
Landscaping & Planters	100%
Site Lighting / Furnishing	95%
Site Costs - Pierhomes	100%
Site Costs - Landside Townhomes	100%
Pierhome Construction	100%
Townhome Construction	100%

As of December 31, 2008, all 88 building permits have been issued. The table below shows the unit type, building permits issued, square feet per unit and aggregate square footage:

Table III-3
Status of Building Permits

Plan Type	Building Permits Issued	Square Feet Per Unit	Aggregate Square Footage
Pier homes	58	2,300 – 4,900	211,958
Town homes	30	2,554 – 3,936	95,968
Total	88		307,926

Table III-4 on the following page shows unit type, construction status, number of units under contract, settled, and average sales price as of December 31, 2008.

Table III-4
Sale Status

Plan Type	Construction Complete	Units Settled	Average Sales Price
Pier homes	58	29	\$1,310,141
Town homes	30	12	\$939,056
Total	88	41	\$1,183,635

D. STATUS OF FINANCING

(i.) State Funding

According to the Limited Offering Memorandum, at the time of bond issuance, the State Department of Natural Resources was providing funds from the “Program Open Space” in the amount of \$5,000,000 (the “Open Space Funds”). The State of Maryland was to purchase an easement for the completed promenade area from the Developer for the sum of \$5,000,000. The Developer was to use those funds to pay for the infrastructure and other construction for the project.

The Open Space Funds transaction closed in December 2002. The funds were deposited into a third party escrow to be immediately released upon substantial completion of the promenade and bulkhead.

(ii.) Acquisition, Development and Construction Loans

According to the Limited Offering Memorandum, at the time of bond issuance, the private improvements and other development costs associated with the Development are being financed from a loan facility (the “Loan”) from Bank of America, N.A. The Loan is structured in two separate components each with a 36-month maturity: an acquisition and development loan in a principal amount of \$12,750,000 (the “Site Loan”) and a revolving line of credit in a maximum principal amount of \$11,500,000 (the “Revolving Loan”).

The Site Loan was expected to be repaid partially with the Open Space Funds upon their release to the Owner from escrow, with the balance to be paid from release payments as lots are sold.

The Revolving Loan was to assist the Owner and the developers with day-to-day cash flow activity of the Development as well as to pay for construction of the pier homes and town homes. As of 2005, Bank of America, N.A. increased the Revolving Loan to \$40,000,000 to provide sufficient funding to construct all eighty-eight units in the project simultaneously.

According to the Limited Offering Memorandum, the Loan was to be closed at or before the closing date for the 2003 Bonds, and such closing was a condition for release of any moneys from the Improvement Fund. The Loan was to be secured by (i) a first-lien deed of trust and security agreement on the Lot #2 property and all improvements thereon and (ii) the pledge of the escrowed Open Space Funds subject to the City’s and State’s respective interest in such funds pursuant to the Escrow Agreement.

According to the Developer, as of October 30, 2006, the Site Loan was repaid in full.

According to the Developer, as of December 31, 2008, the current balance on the Revolving Loan is \$16,312,979 with interest payments paid monthly at prime plus 2.75 percent and principal repayments made

at a specified amount at closing of each lot sale.

(iii.) Public Improvements

According to the Limited Offering Memorandum, the proceeds of the 2003 Bonds were used to fund the costs of public improvements required for the development of the Harborview Lot #2 Project. In order to serve the project, the developer anticipated the construction of the following infrastructure improvements over five phases:

Phase I: Consists of demolition of existing platforms, piers and all existing structures to allow for the construction of a new bulkhead, promenade and the new piers.

Phase II: Beginning after approximately 50% of the existing platform and bulkhead are removed (estimated to take eight weeks), Phase II consists of the installation of equipment for sheet piles and concrete cap installation for the bulkhead.

Phase III: Consists of surcharging the site beginning with the south end of the site expected to commence once the new bulkhead was installed and all fill was in place.

Phase IV: Consists of the construction of the piers and is expected to commence approximately 14 weeks following the beginning of Phase II. Construction of the pier homes was anticipated to begin approximately ten months from the beginning of the construction of the infrastructure improvements.

Phase V: Consists of construction of the promenade. Bench and landscape installation were to follow construction of the shell and closing in of the landside homes along the public promenade.

As of December 31, 2008, the developer reports that \$6,068,732 has been expended for the construction of the public improvements, representing 95 percent of the budgeted amount. Table III-5 on the following page shows the district proceeds by line item funded and current completion status as of December 31, 2008:

**Table III-5
Public Improvement Budget**

Public Improvement	Original Budget	Revised Budget	Spent to Date	Percent Complete
Marine Contractor Mobilization	\$125,000	\$199,270	\$199,270	100%
Test Pile Program	\$27,500	\$0	n/a	n/a
Demolition	\$533,138	-	-	-
<i>Demolition – Land Side</i>	-	\$350,000	350,000	100%
<i>Demolition – Fast Land Area</i>	-	\$93,275	\$93,275	100%
Stone Columns	-	\$795,730	\$795,730	100%
City Storm Outfall Extension	-	\$335,000	\$335,000	100%
Fill, Compaction & Grading	\$750,000	\$0	n/a	n/a
Backfill	-	\$770,000	\$770,000	100%
Bulkhead	\$2,750,000	-	-	-
<i>Bulkhead – Sheetpile & Rakers</i>	-	\$1,395,000	\$1,395,000	100%
<i>Bulkhead – Concrete</i>	-	\$387,000	\$387,000	100%
Riprap	\$100,000	\$248,000	\$248,000	100%
Walkway (Promenade Ramp)	-	\$152,500	\$152,500	100%
Promenade	\$94,080	\$94,080	\$94,080	100%
Landscaping & Planters	\$250,000	\$250,000	\$250,000	100%
Site Lighting / Furnishing	\$60,000	\$60,000	\$60,000	100%
Construction Manager Fee	\$140,692	\$72,000	\$72,000	100%
Contingency (10%)	\$483,041	\$278,089	\$13,335	5%
Architectural & Engineering	\$278,956	\$250,000	\$250,000	100%
Landscape Architect	\$25,000	\$25,000	\$25,000	100%
Permits, Testing & Inspections	\$212,538	\$75,000	\$75,000	100%
Taxes	\$14,706	\$14,706	\$14,706	100%
Legal/Closing/Title Mortgage	\$53,134	\$53,134	\$53,134	100%
Insurance	\$63,761	\$63,761	\$63,761	100%
Development Fees	\$265,672	\$265,672	\$265,672	100%
Plans/Prints/Project Administration	\$106,269	\$106,269	\$106,269	100%
Contingency (5%)	\$51,002	\$51,002	\$0	0%
Total	\$6,384,489	\$6,384,488	\$6,068,732	95%

IV. TRUSTEE ACCOUNTS

The trustee for the 2003 Bonds is Allfirst Trust Company National Association. The balance as of December 31, 2007, subsequent interest paid, disbursements, additional proceeds, and account balances for each fund as of December 31, 2008 are shown by the following table:

Table IV-1
Account Balances

Fund	Balance 12/31/07	Interest Paid	Additional Proceeds	Disbursements	Current Balance	Balance 12/31/08
Improvement Fund	\$272,938	\$6,072	\$0	\$0	\$279,010	\$279,010
Debt Service Reserve Account	\$666,314	\$27,102	\$0	\$43,803	\$649,613	\$649,613
Debt Service Fund	\$212,972	\$571	\$515,659	\$729,203	\$0	\$0
Total	\$1,152,224	\$33,745	\$515,659	\$773,005	\$928,623	\$928,623

Additional proceeds to the Debt Service Fund include transfers of tax increment revenues collected by the City and interest income from the Reserve Account and were applied to debt service on the Series 2003 Bonds.

Disbursements from the Debt Service Reserve Account include transfers of interest income and were applied to the Debt Service Fund.

The interest paid through December 31, 2008 does not include interest accrued but not yet paid. Proceeds in the Debt Service Reserve Fund are primarily invested in guaranteed investment contracts that pay interest of 4.24 percent semi-annually. Proceeds in the Improvement Fund and Debt Service Fund are invested in government money market funds currently earning 0.85 percent. The table below shows the average rate of return on the investments in each fund or account.

Investment income in the reserve fund will be used in the following order of priority, (A) to the City an amount equal to the City Expenses due for the next fiscal year, plus any City expenses then due and payable (all as reflected in a certificate of the Authorized Officer delivered to the Trustee), and (B) to the Debt Service Fund or the Improvement Fund, as shall be directed by an Authorized Officer. Interest income in the improvement fund and debt service fund will remain in respective fund and used for the purposes of that respective fund.

Table IV-2
Average Investment
Rate of Return

Account	Rate of Return
Reserve Fund	4.17%
Improvement Fund	0.85%
Debt Service Fund	0.85%

V. DISTRICT OPERATIONS

A. SPECIAL TAX REQUIREMENT

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

Table V-1 provides a summary of the special tax requirement for fiscal year 2008-2009. Tax increment revenues and investment earnings on debt service reserve fund will be sufficient to pay debt service on the bonds and administrative expenses for fiscal year 2008-2009. Accordingly, the special tax requirement for fiscal year 2008-2009 is zero. Each of these numbers is explained in the following sections.

Debt Service

Debt service includes the interest payments due on January 1, 2009 and July 1, 2009. Each semi-annual interest payment is \$243,067.50, which is equal to an annual coupon interest of 6.50% on the outstanding principal balance of \$7,479,000. A principal payment of \$149,000.00 is due on July 1, 2009. As a result, total debt service is \$635,135.00.

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

Debt service:	
Interest on January 1, 2009	\$243,068
Interest on July 1, 2009	\$243,068
Principal on July 1, 2009	\$149,000
<i>Sub-total debt service</i>	\$635,135
Administrative expenses	\$20,000
Contingency	\$39,308
<i>Total expenses</i>	\$694,443
Tax increment revenues	(\$811,821)
Reserve fund investment income	(\$27,029)
Surplus from prior year	\$0
<i>Total funds available</i>	(\$838,850)
<i>Special tax requirement</i>	\$0

Administrative Expenses

Administrative expenses include the trustee, the administrator, and the expenses of the city related to the district. The annual charges of the trustee are estimated to be \$5,000. The fees and expenses of the administrator are estimated to be \$15,000. Accordingly, the total administrative expenses are estimated at \$20,000.

Contingency

A contingency, equal to approximately six percent of annual debt service plus has been added in case there are unanticipated expenses or tax payment delinquencies.

Tax Increment Revenues

The assessed value of taxable property in the tax increment district for the base year was equal to \$1,169,800. Development of new homes is still on going for property within the district. As of July 31, 2008 all eighty-eight units were near completion. As a result, the assessment for property within the district is being done as construction of homes is completed. The assessor has provided assessed values for thirty-eight fully completed homes and the parking garage. The remaining fifty homes are currently assessed at \$10,000.00 each for fiscal year 2008-2009. The assessed values for these homes will be updated once these homes are fully completed. The fiscal year 2008-2009 assessed value for taxable property in the district is equal to \$41,886,940.00. The incremental assessed value is, therefore equal to \$40,717,140.00 (\$41,886,940.00 - \$1,169,800.00 = \$40,717,140.00).

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

Base year assessed value (<i>January 1, 2001</i>)	\$1,169,800.00
Phased-in FY2008-2009 Assessed Value	\$41,886,940.00
Incremental assessed value	\$40,717,140.00
Estimated City property tax rate FY2008-2009 (<i>per \$100 of AV</i>)	\$2.268
Estimated tax property increment	\$923,464.74
Home owner credit for FY2008-2009	(\$111,644.00)
Estimated tax increment revenues FY2008-2009	\$811,820.74

The real property tax rate for the City of Baltimore in fiscal year 2007-2008 was \$2.268 per \$100 of assessed value. There has been no change to the city real property tax. As a result, the estimated real property tax rate for the City of Baltimore in fiscal year 2008-2009 is \$2.268 per \$100 of assessed value. Accordingly, based on the incremental assessed value in the district and the real property tax rate, the tax increment revenues are estimated to be equal to \$923,464.74.

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

within the district would qualify for the second-year tax credit of 40 percent for fiscal year 2008-2009. Another four developed homes within the district would qualify for the third-year tax credit of 30 percent for fiscal year 2008-2009. The total tax increment for property within the district is equal to \$923,464.74. The total new construction credit for the eleven homes that are currently eligible for this credit for fiscal year 2008-2009 is estimated to be equal \$111,644.00. As a result, the tax increment revenue available to be applied to debt service for fiscal year 2008-2009 is \$811,820.74.

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

Reserve Fund Income

As of June 30, 2008, the balance in the reserve fund was \$636,054.60, which includes the reserve requirement of \$635,985.00 and \$69.50 in investment income. Bond proceeds in the reserve fund are invested in Societe Generale Guarantee Investment Contract (GIC) that is earning 4.25 percent per annum and maturing on July 1, 2033. The yield on the reserve fund requirement of \$635,985.00 will result in an annual investment income of \$27,029.36 on the reserve fund, which will be available to pay debt service for fiscal year 2008-2009.

Surplus from Prior Year

Table C below outlines the surplus from the prior year that may be applied to pay debt service and administrative expenses for fiscal year 2008-2009. As of June 30, 2008, the balance in the debt service fund was \$13,427.59. The projected tax increment revenues for the fiscal year 2007-2008 were \$719,865.82 and an additional \$27,029.00 in reserve fund interest income. Tax increment revenues and special tax revenues are deposited into the tax increment fund and special tax fund, respectively. These two funds are held in trust by the city for the benefit of bond holders. According to the trust indenture, on each February 1 and August 1 (with respect to payments of principal of and interest on the Bonds on the immediately succeeding Interest Payment Date) and on any date required for the payment of any other obligations relating to the Development District and the Special Taxing District, the city shall withdraw, first from the tax increment fund and, then, to the extent amounts in the tax increment fund are insufficient therefore, from the special tax fund. Tax increment revenues remaining in the tax increment fund after all the necessary withdraws and transfers have been made, may be withdrawn and transferred by the city, free and clear of lien.

As of June 30, 2008, the city had transferred to the trustee \$212,747.59 in tax increment revenues to cater for interest payments that were due on January 1, 2008. As mentioned above, there is \$69.50. Accordingly, investment income in the amount of \$69.50 and the balance of funds in the debt service fund in the amount of \$13,483.07 will be available to make debt service due on July 1, 2008. As a result, an additional \$229,514.93 ($\$243,067.50 - \$13,483.07 - \$69.50 = \$229,514.93$) in tax increment revenues will be transferred to the trustee to pay interest payment due on July 1, 2008. A portion of tax increment revenues collected in the fiscal year 2007-2008 in the amount of \$30,000.00 will be retained by the city to cover the balance of 2007-2008 administrative expenses as well as reimburse the city for administrative expenses, which have previously been paid. As indicated above, the balance of tax increment revenues will be transferred from the tax increment fund to the city general fund free and clear of lien. As a result, no surplus funds from the prior year will be

made available to pay debt service for fiscal year 2008-2009 as shown in the table below.

Table V-3
Surplus from Prior Year

	Series 2003
FY07-08 Tax increment revenues	\$719,865.82
Less funds transferred to the trustee	(\$212,747.59)
Sub-total TIF revenues held by the city	\$507,118.23
Debt Service Fund June 30, 2008	\$13,483.07
Reserve Fund interest income at June 30, 2008	\$69.50
Sub-total funds held by trustee	\$13,552.57
Total funds available June 30, 2008	\$520,670.70
Interest on July 1, 2008	(\$243,067.50)
Administrative expenses budget	(30,000.00)
TIF revenues transferred on 7-1-08	\$229,514.93
Funds held by trustee	\$13,552.57
Total funds available for 7-1-08 debt service	\$243,067.50
Surplus from prior year	\$0.00

Special Tax Rates

As stated earlier in this report, special taxes are levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax for each parcel such that the total special tax levied is equal to the special tax requirement. The total expenses of the district for fiscal year 2008-2009 are estimated to be equal to \$694,443.10. Tax increment revenues and interest earnings available to pay expenses are estimated to be \$838,850.10. Accordingly, the special tax requirement is zero.

B. DELINQUENT SPECIAL TAXES

The special tax requirement for fiscal year 2008-2009 is zero. Accordingly, there are no delinquent special taxes outstanding at this time.

C. COLLECTION EFFORTS

There are no collection efforts underway at this time.

VI. DISTRICT FINANCIAL INFORMATION

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

All information in this section is provided as of December 31, 2008, unless otherwise stated.

A. FUND BALANCES

The fund balances in all of the funds and accounts provided for in the Indenture of Trust is included in Table IV-1 of Section IV, "Account Balances," of this report.

B. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT

There have been no changes to the rate and method of apportionment of special taxes by the City as of December 31, 2008.

C. CHANGES IN THE AD VALOREM TAX RATES

There has been no change to the real property tax rate for fiscal year 2008-2009. The real property tax rate for the City of Baltimore in fiscal year 2008-2009 is \$2.268 per \$100 of assessed value.

D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

Based on the City of Baltimore's tax records, the fiscal year 2008-2009 assessed value of the development was \$41,886,940, as compared to \$43,980,634 for fiscal year 2007-2008. The decrease in assessed value from July 1, 2007 to July 1, 2008 is the result of an estimate in assessed value provided by the City of Baltimore's Department of Assessment and Taxation which was based on square feet of units completed for fiscal year 2007-2008. Fiscal year 2008-2009 assessed values represent actual values based on current sales in the market.

E. SPECIAL TAXES LEVIED

There has been no levy of special taxes within the District.

F. AD VALOREM AND SPECIAL TAXES COLLECTED

Projected ad valorem property taxes in the amount of \$949,996 were to be levied on the property within the district in fiscal year 2008. The aggregate credits given to property owners in the District for fiscal year 2008-2009 is equal to \$111,644. Accordingly, the ad valorem real property taxes to be collected for fiscal year 2008-2009 is equal to \$838,352. According to the City of Baltimore tax records, real property taxes in the amount of \$578,723 has been collected in the District. This represents 69 percent of real property taxes due for fiscal year 2008-2009. Table VI-1 on the following page shows the taxes levied, credits and property taxes paid.

Table VI-1
Ad Valorem Taxes
Collected

Owner	FY08 Levied Property Taxes	Newly Constructed Unit Credit	Property Taxes Due	Property Taxes Collected	Percentage of Collected
Private Owners	\$784,955	(\$111,644)	\$673,311	\$515,517	61%
Harborview Limited	\$165,041	\$0	\$165,041	\$63,206	8%
Total	\$949,996	(\$111,644)	\$838,352	\$578,723	69%

According to the City of Baltimore, Harborview Limited is responsible for \$165,041 of real property taxes levied in the District for fiscal year 2008-2009. As of December 31, 2008, the City of Baltimore has collected \$63,206 in property taxes from Harborview Limited. This represents 38 percent of the total ad valorem real property tax due from Harborview Limited. At this time, the City has issued delinquency notices for all unpaid property taxes. Tax sale notices will be mailed on April 1st for all delinquent properties and property owners have up to May 1st to make payments. Failure to make payment by May 1st will result in the property being sold at tax sale, which will be held on May 18, 2009.

As stated earlier in Section V above, special taxes are levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax for each parcel such that the total special tax levied is equal to the special tax requirement. Tax increment revenues and investment earnings on debt service reserve fund will be sufficient to pay debt service on the bonds and administrative expenses for fiscal year 2008-2009. Accordingly, special taxes will not need to be collected for fiscal year 2008-2009.

G. PRINCIPAL DISTRICT TAXPAYERS

Based on the City of Baltimore's tax records, Harborview Limited is responsible for 17.4 percent of the total ad valorem real property tax levy within the district for fiscal year 2008-2009. Harborview Limited owns 53 parcels in the district. Table VI-1 shows the owner, assessed value, tax rate, ad valorem taxes and percent of ad valorem taxes.

Table VI-1
Property Ownership

Owner	2008 Assessed Value	Tax Rate	Ad Valorem Taxes	Percentage
Private Owners	\$34,610,000	\$2.268	\$784,955	82.6%
Harborview Limited	\$7,276,940	\$2.268	\$165,041	17.4%
Total	\$41,886,940		\$949,996	100%

H. LAND USE AMENDMENTS

The developer reports that as of December 31, 2008, no significant amendments to land use entitlements or legal challenges to the construction of the project have been made.

I. CHANGES TO THE DEVELOPMENT

The developer reports that as of December 31, 2008, no changes to the plan of development have

been approved by City of Baltimore.

J. DEBT SERVICE SCHEDULE

Table VI-2 below shows the debt service coverage for the Series 2003 Bonds.

**Table VI-2
Debt Service Coverage**

Account/Type	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Debt Service: (Bond Year Ending July 1)		
Principal	\$0	\$149,000
Interest	\$486,135	\$486,136
Sub-total Debt Service	\$486,135	\$635,136
Base Year Assessed Value (January 1, 2001)	\$1,169,800	\$1,169,800
Phased-in Assessed Value	\$43,980,634	\$41,886,940
Increase in Assessed Value	\$42,810,834	\$40,717,140
City Tax Rate	\$2.268	\$2.268
Tax Property Increment	\$970,950	\$923,465
Less: Home Owner Credit	(\$251,101)	(\$111,644)
Estimated Tax Increment Revenues	\$719,848	\$811,821
Debt Service Coverage	148.08%	127.82%
Special Tax Levied	\$0	\$0
Debt Service Coverage	0.00%	0.00%
Maximum Special Tax Rate	\$1.67	\$1.75
Maximum Special Tax	\$714,584	\$714,584
Debt Service Coverage	146.99%	112.51%
Note: Special taxes may only be levied to the extent necessary to pay debt service after taking into account tax increment revenues.		

VII. SIGNIFICANT EVENTS

A. DEVELOPER SIGNIFICANT EVENTS

Pursuant to the Continuing Disclosure Agreement, developer significant events include the following:

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

Inquiries have been made with the developer regarding the occurrence of any significant event and they have reported a failure to pay a portion of real property taxes levied on the property in the district for fiscal year 2008-2009. As of December 31, 2008, the City of Baltimore reports collection of \$63,206 of the \$160,432 levied property taxes from Harborview Limited, representing only 38 percent of collected property taxes. According to the Developer, as of March 13, 2009, taxes levied on property owned by Harborview Limited have been paid. According to the City of Baltimore, payments can take up to fourteen days to post. As of March 19, 2009, property taxes levied on property owned by Harborview Limited are still showing as unpaid.

B. LISTED EVENTS

Pursuant to the Continuing Disclosure Agreement, the city 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 the bondholders;
- (iv) giving 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 the Bonds; or
- (ix) the continuing disclosure event notices provided to the administrator by the developer as more particularly set forth in the Developer's Continuing Disclosure Agreement so long as the developer

owns property in the district.

To the knowledge of the administrator, no listed events have occurred as of March 19, 2009.