

**ANNUAL DEVELOPMENT ACTIVITY AND
DISCLOSURE REPORT**

**\$6,180,000 CITY OF MORGANTOWN, WEST VIRGINIA
PARKING GARAGE PROJECT NO. 1
SERIES 2006 A BONDS**

FOR THE PERIOD ENDING DECEMBER 31, 2008

Prepared by:

MUNICAP, INC.

May 12, 2009

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

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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, the TIF Parking Garage foundation permit had been issued. As of January 1st, 2009, a final building permit had been submitted to the City of Morgantown.
- According to the Developer, construction of the View at the Park Condominiums Phase II commenced in October 2007 and was anticipated to be complete within one year. Construction is approximately 95 percent complete as of December 31, 2008.
- According to the Developer, construction of the Event Center is anticipated to be complete as of December 2009.
- According to the Developer, construction of the Mariner Towne, an eight story office building, commenced in August 2007. Exterior construction is complete as of December 2008 and interior construction is estimated to be completed in May 2009.
- As of February 2009, the Developer reports \$1,401,481 of the bond proceeds budgeted for the public improvements have been expended, which represents 26 percent of the public improvements to be funded with the bonds.
- There have been no changes in the ad valorem tax rates of the city, the Board of Education of Monongalia County, West Virginia, or Monongalia County, West Virginia. Tax rates for fiscal year 2008 are as follows: Class II Total Levy: \$1.2954 per \$100 of assessed value, and Class IV Total Levy: \$2.5908 per \$100 of assessed value.
- The base year assessed value of the real and personal property within the TIF District is \$31,086,721. The current fiscal year assessed value of the real and personal property in the TIF District is \$69,323,478. As a result, there has been a \$38,236,757 increase in the assessed value of the real and personal property within the TIF District.
- According to the City of Morgantown, \$1,734,374 in tax increment revenues were levied in fiscal year 2007-2008. As of December 31, 2008, the city has collected \$1,700,650, representing 98 percent of the tax increment revenues due for fiscal year 2007-2008.

II. INTRODUCTION

Tax Increment Revenue Bonds (Parking Garage Project No. 1) Series 2006 A Bonds (the “Series 2006 A Bonds”) were issued pursuant to the West Virginia Tax Increment Financing Act, Chapter 7 Article 11B of the Code of West Virginia, 1931, as amended, and a Resolution and Ordinance enacted by city council on August 15, 2006 by and between the City of Morgantown, West Virginia (the “Issuer”), a municipal corporation and a political subdivision of the State of West Virginia, and the Bank of New York, New York, as Bond Trustee (the “Bond Trustee”) under an Indenture of Trust dated December 14, 2006.

According to the Official Statement, (the “OS”) the Series 2006 A Bonds are being issued for the purpose of financing the design, acquisition, construction and equipping of a multi-level parking garage consisting of approximately three hundred (300) parking spaces and related improvements and the construction of certain streetscape and other infrastructure improvement for Walnut Street and University Avenue (collectively, the “Project”).

The Project is located within the City of Morgantown Riverfront Development/Redevelopment District No. 2 (the “TIF District”). The TIF District was created by an ordinance enacted by the city on December 16, 2003. The TIF District is located in the City of Morgantown, West Virginia just south of the downtown area and West Virginia University along the Monongahela River. The TIF District and its commercial uses are easily accessible from I-68 and I-79 via University Avenue (US Route 119/WV Route 73).

The Project is to be developed by Platinum Properties, LLC, a West Virginia limited liability company, and its affiliate, Petroplus & Associates, Inc., a nationally recognized commercial real estate firm (collectively, the “Developer”). Through the Development Agreement, dated December 14, 2006, by and between the Issuer and the Developer (the “Development Agreement”), the Developer will design, acquire, construct and equip the Project. The Developer is obligated to cover all costs of construction and operations of the Project to the extent funds are not available from the Series 2006 A Bonds. The Developer will be the owner of the Project.

Pursuant to the OS for the Series 2006 A Bonds, \$6,180,000 City of Morgantown Tax Increment Revenue Bonds were issued to finance the Project located within the TIF District. The Issuer will assign and pledge to the Bond Trustee as security for the Series 2006 A Bonds tax increment revenues generated by property within the TIF District.

The information provided herein is not intended to supplement or otherwise relate to the information provided in the OS 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

The TIF District and the Project within the TIF District are located in the City of Morgantown, West Virginia just south of the downtown area and West Virginia University along the Monongahela River. The TIF District and its commercial uses are easily accessible from I-68 and I-79 via University Avenue (US Route 119/WV Route 73). The TIF District includes the Waterfront Place Complex, as well as adjacent residential and commercial properties.

The Project includes the construction and equipping of a multi-level parking garage, consisting of approximately 300 parking spaces, and related improvements (the “TIF Parking Garage”), and the construction of certain streetscape and other infrastructure improvements for Walnut Street and University Avenue. The TIF Parking Garage is planned for construction in conjunction with that of the new event center linking it to the Waterfront Place Hotel and conference center. Upon completion, the TIF Parking Garage will serve the Waterfront Place Hotel, conference center, existing and planned office buildings, marina, recreational and entertainment uses.

According to the OS, the development plan envisioned by the TIF District anticipates nine major property owners and additional existing commercial properties providing a significant portion of the tax increment revenues within the TIF District. The nine current and future major properties in the TIF District are as follows:

- Waterfront Place Hotel,
- Residences at the Waterfront Place Hotels,
- One Waterfront Place,
- View at the Park,
- Jackson Kelly Office Building,
- Marina and Boathouse Bar & Grille,
- Marina Tower,
- Event Center, and
- Kay, Cast & Chaney Office Building.

B. GOVERNMENTAL APPROVALS AND PERMITS

According to the Developer, as of December 31, 2008, the TIF Parking Garage foundation permit has been issued. As of January 1, 2009, a final building permit has been submitted to the City of Morgantown.

According to the Developer, as of December 31, 2008, no occupancy permits have been issued for the TIF Parking Garage. The parking garage occupancy permit will not be issued until at least 95 percent of the construction is complete. Construction commenced in April 2009.

C. STATUS OF DEVELOPMENT

The Project is to be developed by Platinum Properties, LLC, a West Virginia limited liability company, and its affiliate, Petroplus & Associates, Inc., a nationally recognized commercial real estate firm. Through the Development Agreement, dated December 14, 2006, by and between the Issuer and the Developer, the Developer will design, acquire, construct and equip the Project. The Developer is obligated to cover all costs of construction and operations of the Project to the extent funds are not available from the Series 2006 A Bonds. The Developer will be the owner of the Project.

According to the OS, the development plan envisioned by the TIF District anticipates nine major property owners and additional existing commercial properties providing a significant portion of the tax increment revenues within the TIF District. Table III-I below shows the property type and development status for the nine current and future property types:

**Table III-1
Current and Future Major Property
Owners Development Status**

| Development Type | Use | Square Feet/Rooms/Units | Development Status |
|---|-----------------------------|---|---|
| Waterfront Place Hotel | Hotel | 206 Rooms 10,000 Square Foot Conference 1,400 Square Foot Spa | Complete as of August 2003 |
| Residences at the Waterfront Place Hotels | Residential Condo | 28 Units | Complete as of August 2003 |
| One Waterfront Place | Office Use | 160,000 Square Feet | Complete as of 2001 |
| View at the Park | Residential Condo | 101 Units (View I and II) | 95% Complete |
| Jackson Kelly Office Building | Office Use | 46,291 Square Feet | 100% Complete |
| Marina and Boathouse Bar & Grille | Restaurant and Marina | 3,560 Enclosed Square Feet with Marina | Complete as of May 2007 |
| Marina Tower | Mixed Use | 107,000 Square Feet | Exterior completed as of December 2008 Interior will be completed as of May 2009 |
| Event Center | Convention/Exposition Space | 80,000 Square Feet | To be completed as of December 2009 |
| Kay, Casto & Chaney Office Building | Office Use | 30,000 Square Feet | 100 % Complete |

The Developer reports the following development milestones as of December 31, 2008:

- Construction of the View at the Park Condominiums, Phase II commenced in October 2007 and is anticipated to be complete within one year. Construction is approximately 95 percent complete.
- Construction of the Event Center is anticipated to be completed in December 2009.
- Construction of the Mariner Towne, an eight story office building, commenced in August 2007. Exterior construction was completed as of December 2008 and interior construction is anticipated to be completed by May 2009.

D. STATUS OF FINANCING

As of December 31, 2008, the Developer reports there are no outstanding financing obligations tied to property in the TIF District.

E. PUBLIC IMPROVEMENTS

The public improvements to be funded by the bonds includes the design, construction and equipping of a multi-level parking garage, consisting of approximately 300 parking spaces and related improvements, and the construction of certain streetscape and other infrastructure improvements for Walnut Street and University Avenue.

According to the Developer, as of December 31, 2008, the TIF Parking Garage foundation permit has been issued. As of January 1, 2009, a final building permit has been submitted to the City of Morgantown.

According to the Developer, as of December 31, 2008, no occupancy permits have been issued for the TIF Parking Garage. The parking garage occupancy permit will not be issued until at least 95 percent of the construction is complete. Construction commenced in April 2009.

As of February, 2009, the Developer reports \$1,401,481 of the bond proceeds budgeted for the public improvements have been expended, which represents 26 percent of the public improvements to be funded with the bonds.

Table III-2
Status of Public Improvements

| Public Improvements | Cost | Amount Spent as of February 2009 | Percent Complete |
|--|--------------------|-------------------------------------|---------------------|
| TIF Parking Garage | | | |
| Construction costs (includes 10% contingency) | \$4,350,000 | \$899,400 | 21% |
| Architect/engineering | \$435,000 | \$186,800 | 43% |
| Developer fee | \$261,000 | \$243,281 | 93% |
| Legal expenses | \$56,500 | \$56,500 | 100% |
| Market study | \$13,500 | \$13,500 | 100% |
| Accounting | \$2,000 | \$2,000 | 100% |
| Sub-total for TIF Parking Garage | \$5,118,000 | \$1,401,481 | 27% |
| Walnut Street and University Avenue improvements | \$250,000 | \$0 | 0% |
| Total project uses | \$5,368,000 | \$1,401,481 | 26% |

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2006 A Bonds is the Bank of New York. The following table shows the December 31, 2007 balance, interest paid, additional proceeds, disbursements, and account balances as of December 31, 2008:

Table IV-1
Account Balances

| | Balance 12/31/07 | Interest Paid | Additional Proceeds | Disbursements | Balance 12/31/08 |
|-----------------------------|-----------------------------|--------------------------|--------------------------------|----------------------|-----------------------------|
| Project Fund | \$5,235,045 | \$159,713 | \$0 | \$525,479 | \$4,869,278 |
| Debt Service Fund | \$72 | \$651 | \$417,431 | \$418,153 | \$1 |
| Reserve Fund | \$427,418 | \$13,188 | \$0 | \$24,176 | \$416,430 |
| Administrative Expense Fund | \$4,377 | \$115 | \$4,000 | \$5,528 | \$2,964 |
| Revenue Fund | \$43,601 | \$2,857 | \$510,935 | \$433,161 | \$124,232 |
| Total | \$5,846,196 | \$176,860 | \$932,654 | \$1,542,804 | \$5,412,906 |

- Disbursements from the Project Fund represent payments for the costs of public improvements and the TIF Parking Garage.
- Disbursements from the Debt Service Fund represent the transfers of investment income and tax increment revenues held by the city and used to pay debt service.
- Disbursements from the Reserve Fund represent transfers to the Debt Service Fund.
- Disbursements from the Administrative Expense Fund include payments for the administrative costs associated with the TIF District.
- Disbursements from the Revenue Fund represent transfers to the Administrative Expense Fund to pay administrative expenses, transfers to pay debt service, and the transfer of excess revenues to the City TIF Fund.

Proceeds in the Project Fund, Debt Service Fund, Reserve Fund, Administrative Expense Fund and Revenue Fund are invested primarily in money market funds that are currently paying interest between 0.65 percent and 0.95 percent. Table IV-2 below shows the rate of return on the investments as of December 31, 2008.

Table IV-2

| Account | Rate of Return |
|-----------------------------|---------------------------|
| Project Fund | 0.66% |
| Debt Service Fund | 0.95% |
| Reserve Fund | 0.66% |
| Administrative Expense Fund | 0.65% |
| Revenue Fund | 0.66% |

Investment income on the Debt Service Fund will be applied to the payment of debt service. Investment income in the Reserve Fund in excess of the reserve requirement will be transferred to the Debt Service Fund and therein applied to payment of the next interest due on the Series 2006 A Bonds. Investment income on the Project Fund, Administrative Expense Fund, and Revenue Fund will remain in the fund and will be used for the purposes of that respective fund.

V. 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 are included in Table IV-1 of Section IV, "Trustee Accounts," of this report.

B. CHANGES IN THE AD VALOREM TAX RATES

There have been no changes in the ad valorem tax rates of the city, the Board of Education of Monongalia County, West Virginia, or Monongalia County, West Virginia. Tax rates for fiscal year 2008 are shown below:

- Class II Total Levy: \$1.2954 per \$100 of Assessed Value,
- Class IV Total Levy: \$2.5908 per \$100 of Assessed Value.

C. INCREASE IN THE DISTRICT SIZE

According to the City of Morgantown, West Virginia, there has been no increase in the size of the TIF District for fiscal year 2008.

D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

As shown in Table V-1 below, the base year assessed value of the real and personal property within the TIF District was \$31,086,721. The current fiscal year assessed value of the real and personal property in the TIF District is \$69,323,478. As a result, there has been a \$38,236,757 increase in the assessed value of the real and personal property within the TIF District. (Assessed value is equal to 60 percent of appraised value.)

Table V-1
Phased-In Assessed Value of Property

| Property Type | Base Year Assessed Value | FY 07/08 Assessed Value | Incremental Assessed Value |
|--------------------------------|--------------------------|-------------------------|----------------------------|
| Class 2 (Personal Property) | \$0 | \$0 | \$0 |
| Class 2 (Real Property) | \$46,200 | \$4,759,800 | \$4,713,600 |
| Class 4 (Personal Property) | \$3,025,711 | \$9,137,308 | \$6,111,597 |
| Class 4 (Real Property) | \$28,014,810 | \$55,426,370 | \$27,411,560 |
| Total Incremental Value | \$31,086,721 | \$69,323,478 | \$38,236,757 |

E. TOTAL AD VALOREM TAXES LEVIED

As shown in Table V-2 on the following page, the total ad valorem tax levied on property within the TIF District for fiscal year 2007-2008 is equal to \$1,734,374.

Table V-2
Phased-In Assessed Value of Property

| Property Type | FY 08 Assessed Value | Total Levy Rate (Per \$100 AV)* | Total Levy |
|---|----------------------|---------------------------------|--------------------|
| Class 2 (Real and Personal Property) | \$4,759,800 | \$1.2954 | \$61,658 |
| Class 4 (Real and Personal Property) | \$64,563,678 | \$2.5908 | \$1,672,716 |
| Total Taxes Levied (FY 08) | \$69,323,478 | | \$1,734,374 |
| *Levy rate includes City of Morgantown, Monongalia County, Monongalia County Board of Education and State of West Virginia. | | | |

F. STATUS OF COLLECTION OF AD VALOREM TAXES

According to the City of Morgantown, \$1,734,374 in tax increment revenues was levied in fiscal year 2007-2008. As of December 31, 2008 the city has collected \$1,700,650, representing 98 percent of the tax increment revenues due for fiscal year 2007-2008. Table V-3 below shows total ad valorem taxes collected for fiscal year 2007-2008.

Table V-3
Total Ad Valorem Taxes Collected

| Property Type | Total Levy | Levy Collected | Percentage Collected |
|--------------------------------------|--------------------|--------------------|----------------------|
| Class 2 (Real and Personal Property) | \$61,658 | \$58,906 | 96% |
| Class 4 (Real and Personal Property) | \$1,672,716 | \$1,641,745 | 98% |
| Total Taxes Levied (FY 08) | \$1,734,374 | \$1,700,650 | 98% |

G. APPEALS TO ASSESSED VALUE

According to the City of Morgantown, there have been no appeals of assessed value for property within the TIF District as of December, 31 2008.

H. PRINCIPAL DISTRICT TAXPAYERS

A list of TIF District taxpayers responsible for levy of more than five percent of ad valorem taxes in the fiscal year 2007-08 is shown in Table V-4 and V-5 on the following page.

Table V-4
Real Property Principal District Taxpayers

| Property Owner | Ad Valorem Taxes | Percentage |
|---|--------------------|-------------|
| Waterfront Place Parking | \$175,499 | 12% |
| FETA, LLC | \$92,621 | 6% |
| Waterfront Partners, LLC | \$79,263 | 5% |
| Mermaid, LLC and Platinum Properties | \$491,855 | 33% |
| Sub-total | \$839,237 | 56% |
| Total Real Property Ad Valorem Tax | \$1,497,645 | 100% |

Table V-5
Personal Property Principal District Taxpayers

| Property Owner | City Ad Valorem Taxes | Percentage |
|---|-----------------------|-------------|
| Waterfront Jeep, Inc. | \$10,805 | 5% |
| Superior Buick Pontiac GMC | \$34,870 | 15% |
| Mermaid, LLC | \$85,276 | 36% |
| Sub-total | \$130,951 | 55% |
| Total Personal Property Ad Valorem Taxes | \$236,729 | 100% |

I. CHANGES TO LAND USE ENTITLEMENTS OR LEGAL CHALLENGES

The administrator has not received formal written notice from the city of any amendments to land use entitlements or legal challenges to the construction of the public improvements. The Developer reports that there have been no changes to land use entitlements or legal challenges to the construction of the public improvements.

J. CHANGES TO PUBLIC IMPROVEMENTS AND STATUS OF DEVELOPMENT

The Developer reports that there have been no changes to the public improvements as described in the Development Agreement.

K. OCCUPANCY PERMITS

According to the Developer, no occupancy permits have been issued for the TIF Parking Garage. The TIF Parking Garage occupancy permit will not be issued until at least 95 percent of the construction is complete. Construction commenced in April 2009.

L. DEBT SERVICE COVERAGE AND TAX INCREMENT REVENUES

Table V-6 on the following page provides the debt service coverage on the Series 2006 A Bonds for the immediate prior tax year, fiscal year 2007-2008.

Table V-6
Debt Service Coverage

| Account Type | Amount |
|---|----------------|
| <i>Debt Service (bond year ending June 1, 2008)</i> | |
| Interest (December 1, 2007) | \$144,544 |
| Interest (June 1, 2008) | \$144,544 |
| Principal | \$125,000 |
| Sub-total debt service | \$414,088 |
| <i>Base Year Assessed Value (January 1, 1999)</i> | |
| Class 2 Property (Real and Personal Property) | \$46,200 |
| Class 4 Property (Real and Personal Property) | \$31,040,521 |
| Sub-total | \$31,086,721 |
| <i>Phased-in Assessed Value July 1, 2008</i> | |
| Class 2 Property (Real and Personal Property) | \$4,759,800 |
| Class 4 Property (Real and Personal Property) | \$64,563,678 |
| Sub-total | \$69,323,478 |
| <i>Increase in Assessed Value</i> | |
| Class 2 Property (Real and Personal Property) | \$4,713,600 |
| Class 4 Property (Real and Personal Property) | \$33,523,157 |
| Sub-total | \$38,236,757 |
| <i>Levy Rate (Per \$100 AV)</i> | |
| Class 2 Property (Real and Personal Property) | \$1.2954 |
| Class 4 Property (Real and Personal Property) | \$2.5908 |
| <i>Tax Increment Revenues</i> | |
| Class 2 Property (Real and Personal Property) | \$61,060 |
| Class 4 Property (Real and Personal Property) | \$868,518 |
| Sub-total | \$929,578 |
| Debt Service Coverage | 224.49% |

VI. LISTED EVENTS

A. LISTED EVENTS

Pursuant to the Continuing Disclosure Agreement, listed events include the following:

- (i) delinquency in payment when due of any principal of or interest on the Series 2006 A Bonds;
- (ii) occurrence of any material default under the Indenture (other than as described in clause (i) above);
- (iii) draws on the Reserve Fund;
- (iv) substitution of a credit provider, or any failure of a credit provider to perform;
- (v) adverse tax opinions or events affecting the tax-status of interest on the Series 2006 A Bonds;
- (vi) amendment to the Indenture modifying the rights of the bondholders;
- (vii) giving of notice of optional of unscheduled redemption of the Series 2006 A Bonds;
- (viii) defeasance of the Series 2006 A Bonds or any portion thereof;
- (ix) the release or substitution of real property within the district other than as identified in the annual report pursuant to Section 2(a) hereof;
- (x) any change in the rating, if any, on the Series 2006 A Bonds.

The administrator is not aware of the occurrence of any listed event as of the date of this report (May 12, 2009).