

**\$65,000,000**  
**PRINCE GEORGE'S COUNTY, MARYLAND**  
**SPECIAL OBLIGATION BONDS**  
**(National Harbor Project)**  
**SERIES 2004**

**DEVELOPER'S CONTINUING DISCLOSURE STATEMENT**

Attn: Keenan Rice  
MuniCap  
8340 Governor Ridgley Lane  
Ellicott City, MD 21043

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement") by and between the undersigned, National Harbor Development LLC (the "Developer") and MuniCap, Inc. (the "Administrator") entered in connection with the remarketing of \$65,000,000 in aggregate principal amount of the Prince George's County, Maryland Special Obligation Bonds (National Harbor Project), Series 2004, the Developer hereby provides the following information as of September 30, 2006. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Indenture dated as of December 1, 2004, as supplemented by a First Supplemental Indenture of Trust dated as September 1, 2005. To the best of the knowledge of the undersigned:

- 1) Status of Construction and Completion of the National Harbor Project.

**Public Improvements**

<b>Improvements</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
<b>Roads Hard Cost</b>					
National Harbor Blvd PH I	\$3,913,644	(\$1,793,248)	\$2,120,396	\$1,992,134	94%
National Harbor Blvd PH II	\$2,997,493	\$127,907	\$3,125,400	\$1,800,079	58%
Water Front Street PH I (First St.)	\$2,950,126	(\$852,419)	\$2,097,707	\$949,407	45%
Water Front Street PH II (South St.)	\$2,342,800	(\$930,401)	\$1,412,399	\$939,423	67%
Ramblas	\$3,700,602	\$3,700,602	\$0	\$0	0%
Fleet Street (Second Street)	\$2,270,528	(\$806,221)	\$1,464,307	\$408,093	28%
St. George Blvd (Third Street)	\$1,975,876	(\$13,302)	\$1,962,574	\$775,544	40%
Southpointe Drive Ph I (Fourth St)	\$2,972,588	(\$1,508,281)	\$1,464,307	\$0	0%
Southpointe Drive Ph II	\$3,306,643	\$133,772	\$3,440,415	\$2,445,428	71%
Traffic Signals	\$0	\$1,400,000	\$1,400,000	\$0	0%
<b>Sub Totals</b>	<b>\$26,430,300</b>	<b>(\$7,942,795)</b>	<b>\$18,487,505</b>	<b>\$9,310,108</b>	<b>50%</b>
<b>Roads Soft Cost</b>					
Permit Fee	\$1,723,715	\$373,878	\$2,097,593	\$1,386,156	66%
DER Permit Fee	\$52,076	(\$52,076)	\$0	\$0	0%
Design Fees	\$2,757,944	(\$44,757)	\$2,713,187	\$1,280,933	47%
Prevailing Wages/LMBE Pref.	\$3,447,430	(\$301,040)	\$3,146,390	\$0	0%
Contingency	\$0	\$2,097,593	\$2,097,593	\$0	0%
Bonds	\$396,455	(\$396,455)	\$0	\$0	0%
<b>Sub Totals</b>	<b>\$8,377,620</b>	<b>\$1,677,143</b>	<b>\$10,054,763</b>	<b>\$2,667,089</b>	<b>27%</b>
<b>Ponds Hard Cost</b>					
Betty Blume Pond	\$517,325	(\$16,617)	\$500,708	\$460,275	92%
Betty Blume Pond Amenities	\$200,000	\$0	\$200,000	\$0	0%
Panorama Pond	\$450,000	\$810,000	\$1,260,000	\$1,246,970	99%
Southpointe Pond	\$450,000	(\$83,750)	\$366,250	\$0	0%
Temporary Pond	\$175,000	(\$1,500)	\$173,500	\$0	0%
Sediment Control	\$287,500	(\$287,500)	\$0	\$0	0%
<b>Sub Totals</b>	<b>\$2,079,825</b>	<b>\$420,633</b>	<b>\$2,500,458</b>	<b>\$1,707,245</b>	<b>68%</b>
<b>Ponds Soft Cost</b>					
Design Cost	\$249,579	\$300,838	\$550,417	\$310,934	56%
Prevailing Wages/LMBE Pref.	\$311,974	(\$311,974)	\$0	\$0	0%
Contingency	\$0	\$147,859	\$147,859	\$0	0%
Bonds	\$31,197	(\$31,197)	\$0	\$0	0%
Permit Fees	\$5,000	\$71,913	\$76,913	\$3,104	4%
SWM Fee In-Lieu	\$206,750	\$1,593,250	\$1,800,000	\$494,201	27%
<b>Sub Totals</b>	<b>\$804,500</b>	<b>\$1,770,689</b>	<b>\$2,575,189</b>	<b>\$808,239</b>	<b>31%</b>
<b>Water and Sewer Hard Cost</b>					
Water and Sewer Part 1	\$441,669	\$203,687	\$645,356	\$645,356	100%
Water and Sewer Part 2	\$63,961	\$32,319	\$96,280	\$0	0%
Pump Station (Part 3)	\$4,135,981	\$1,039,751	\$5,175,732	\$4,345,832	84%
Water and Sewer Part 4A	\$172,500	\$822,605	\$995,105	\$0	0%

Water and Sewer Part 4B	\$961,845	(\$76,622)	\$885,223	\$885,223	100%
Water and Sewer Part 5	\$838,569	\$825,782	\$1,664,351	\$1,655,852	99%
Water and Sewer Part 6A	\$489,776	(\$37,958)	\$451,818	\$309,580	69%
Water and Sewer Part 6B	\$777,469	\$197,913	\$975,382	\$949,318	97%
Water and Sewer Part 7	\$419,779	\$182,995	\$602,774	\$602,774	100%
Water and Sewer Part 9	\$0	\$379,217	\$379,217	\$0	0%
Water and Sewer Part 10	\$288,294	\$781,343	\$1,069,637	\$430,034	40%
Water and Sewer Part 11, 13	\$88,898	\$408,913	\$497,811	\$497,811	100%
Sleeves (Part 12)	\$89,499	(\$52,799)	\$36,700	\$0	0%
Water and Sewer Part 13	\$264,543	(\$264,543)	\$0	\$0	0%
Water and Sewer Part 15, 16	\$390,727	\$89,273	\$480,000	\$464,177	97%
Water and Sewer Part 16	\$239,876	\$239,876	\$0	\$0	0%
<b>Sub Totals</b>	<b>\$9,663,386</b>	<b>\$4,292,000</b>	<b>\$13,955,386</b>	<b>\$10,787,873</b>	<b>77%</b>
<b>Water &amp; Sewer Soft Cost</b>					
Review and Inspection Fee	\$1,159,606	\$346,987	\$1,506,593	\$926,418	61%
Design Cost	\$1,159,606	\$419,816	\$1,579,422	\$1,500,087	95%
Contingency	\$0	\$224,178	\$224,178	\$0	0%
Prevailing Wages/LMBE Pref.	\$1,449,508	(\$869,638)	\$579,870	\$0	0%
Bonds	\$241,585	(\$241,585)	\$0	\$0	0%
<b>Sub Totals</b>	<b>\$4,010,305</b>	<b>(\$120,242)</b>	<b>\$3,890,063</b>	<b>\$2,426,505</b>	<b>62%</b>
<b>Misc. Others</b>					
Fireboat/Public Safety	\$500,000	\$0	\$500,000	\$0	0%
<b>Total Public Improvements</b>	<b>\$51,865,936</b>	<b>\$97,428</b>	<b>\$51,963,364</b>	<b>\$27,707,059</b>	<b>53%</b>
<i>Less: Private Contributions</i>	<i>\$0</i>	<i>(\$97,428)</i>	<i>(\$97,428)</i>	<i>\$0</i>	<i>0%</i>
<b>Total Bond Funded Costs</b>	<b>\$51,865,936</b>	<b>\$0</b>	<b>\$51,865,936</b>	<b>\$27,707,059</b>	<b>53%</b>

2) Status of Development - Project Update and Development Schedule:

a) Project Update

**Project Update**

<b>Development</b>	<b>Status</b>
Zoning and Permitting	All required Zoning approvals have been obtained from the County. Numerous infrastructure plans have been submitted and approved through the various agencies such as WSSC, DPW&T, etc. Full building permits have been issued for Building E and the piers. Foundation permits have been issued for Buildings A (Westin), H1 (Marriott), J, L, and O (Hampton Inn). A test pile permit has also been issued for Building M. Complete plans for Bldg J (office/garage/retail), L (residential/retail), Hotel O (Hampton Inn) and Hotel H1 (Marriott) are currently being reviewed by the County for Full Building Permit which is expected shortly.

Site Plan and Design Approval		Site plan related documents for the Buildings A, J, M, L, H2, and O have been submitted to the County for review along with the building plans and approval and should be approved shortly.
Subdivision		Subdivision of the PH IB Waterfront parcels was approved with all plats recorded in County Land Records in late May and early June 2006. Recordation of the Special Warranty Deeds is also now complete.
Infrastructure - onsite		Construction of the onsite infrastructure is on going. A majority of the water, sewer, storm pipes and ponds have been installed throughout the Ph IB portion of the project. National Harbor Blvd, Waterfront Street, Fleet Street and St. George Streets have also been base paved.
Infrastructure - offsite		All off-site infrastructure has been completed.
Vertical Development – Hotel and Timeshare		<p>Foundation permits have been issued for Hotel O (Hampton Inn and Suites). The general contractor, Herman-Stewart Construction, has mobilized on-site.</p> <p>Foundation permits have been issued for Hotel H1 (Marriott Residence Inn). The general contractor, Herman-Stewart Construction, just mobilized on-site.</p> <p>Foundation permits have been issued for Hotel A1-9 (Westin). They have driven test piles and are waiting for settlement to occur, which is scheduled for mid-late Nov 2006, before the general contractor, Whiting-Turner Contracting, can start construction.</p> <p>Test Piles have been driven for Building Q (Fairfield Resorts/retail). 100% construction Documents will be finished in late 2006.</p> <p>Building K (W Aloft portion) plans will be completed in early</p>

		2007.
Vertical Construction – Retail and Restaurant		<p>Waterfront Building E is well under construction by Clark Construction. The steel superstructure was completed in early Sep 2006. Base building completion is on schedule for March 2007</p> <p>Final construction documents for Buildings B and D will be completed in late 2006.</p> <p>Just started schematic design for restaurant building H1.</p> <p>Building P plans will be submitted for permit in late November 2006. The precast concrete portion of the building has been awarded to High Concrete Structures.</p> <p>Retail/restaurant building A10 will start design in early 2007.</p>
Vertical Construction – Office Space		<p>Foundation permits have been issued for Building J (Office/retail/garage). The general contractor, Coakley-Williams Construction, has mobilized and started construction of the building. Full building permits are anticipated in late 2006.</p> <p>Building M (Office/retail/garage) plans will be submitted for permit in the next Dec 2006. The general contractor, Coakley-Williams Construction, will mobilize and start construction of the building once we get a foundation permit. Test Piles have been driven for the building.</p>
Change in Development plan to allow residential Uses		<p>Foundation permits have been issued for Building L (Residential/retail/garage). The general contractor, Clark Construction, has mobilized and started construction of the building.</p> <p>Building K (residential portion) plans will be completed in early 2007.</p> <p>Final construction documents for Building D will be completed in late 2006.</p> <p>Building R is being planned as an 11-story, 450 +/- unit residential building with street level retail. Plans for this building are only conceptual with no additional design work being completed at this time.</p>

b) Development Schedule

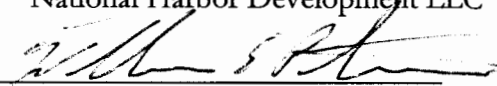
### Development Schedule - Targets

Public Improvement Tasks	Projected Date		Date
	Start	Finish	Completed
<b>Washington Suburban SC (WSSC)</b>			
Part 1 Sewer "B"	6/29/05	3/15/06	3/15/06
Part 3 Pump Station "A"	8/8/05	12/2/06	Ongoing
Part 4B Water/Sewer "P"			5/27/05
Part 5 Water/Sewer "E"	6/29/05	3/15/06	3/15/06
Part 6A Sewer "R"			8/10/05
Part 6B Water/Sewer "F"	10/5/05	3/15/05	3/15/06
Part 10 Water/Sewer "J"	9/22/05	3/15/06	3/15/06
Part 7 Sewer			Summer 05
Part 11 Water/Sewer	12/29/05	4/17/06	4/17/06
Part 13 Water/Sewer	2/1/06	5/21/06	4/30/06
Part 15 Water/Sewer	2/15/06	5/30/05	Ongoing
Part 16 Water/Sewer	3/16/06	6/13/06	Ongoing
<b>National Harbor Waterfront Roads</b>			
National Harbor Blvd. (Phase I)	6/29/05	6/29/07	F = final pave
Waterfront Street (Phase I)	6/29/05	9/14/07	F = final pave
Waterfront Street (Phase II)	9/22/05	8/30/07	F = final pave
South Pointe Rd. (Phase I)	8/1/05	7/1/07	F = final pave
Fleet Street (Second Street)	1/31/06	7/14/07	F = final pave
St. George's Boulevard (Third Street)	3/16/06	7/1/07	F = final pave
Ramblas 1 <sup>st</sup> to 2 <sup>nd</sup> Streets		Fall 07	
Ramblas 2 <sup>nd</sup> to 3 <sup>rd</sup> Streets		Fall 08	
National Harbor Blvd. (Phase II)	12/29/05	7/1/07	F = final pave
Southpointe Drive (now NH Blvd)	7/1/07	7/1/07	F = final pave
<b>Others Items</b>			
Preliminary Plan of Subdivision			2/9/04
Stormwater Management Concept	7/19/04	10/26/04	updates
Record Plat			6/8/06
Panorama Stormwater Management Ponds	7/19/04	2/14/05	
Site Landscape, TCPII, CBCA	11/28/00	10/13/04	
<b>Pepco</b>			
Pepco Primary High Voltage Work	1/15/06	3/1/07	
Pepco Onsite Distribution Service	1/17/06	3/1/07	
Washington Gas	9/17/05	9/1/06	Ongoing
<b>Marine Work</b>			
South Point Pier			11/10/04
Dredging for 2004 season			1/21/05
Gaylord Pier	6/1/06	9/5/07	
Peterson Pier	6/1/06	9/5/07	
<b>Gaylord Design and Construction</b>			
Contract Documents	6/9/05		
Bidding and Negotiation			Ongoing
Construction Phase	Spring 05	March 08	
Permits and Approvals			Ongoing
Building Permits			Ongoing

- 3) Material changes to the Form, Organization or Ownership of the Developer: There have been no material changes in the form, organization or ownership of the developer as described in the Limited Offering Memorandum under, "THE DEVELOPMENT AND THE DEVELOPER".
- 4) Legislative, Administrative or Judicial Challenges: There have been no legislative, administrative, or judicial challenges to the construction of the improvements within the district or the validity of duly recorded plat or other public approvals for any section of the Development.
- 5) Zoning Classification: There have been no changes to the zoning classification for any parcel within the district as describe in the Limited Offering Memorandum.
- 6) Statement as to any Material Amendment or Supplement to the Development Agreement: There has been no material amendment or supplement to the Development Agreement related to the project as determined by the developer.
- 7) Notice of Default: There has been no formal written notice of default under any construction loan that finances any portion of the project.
- 8) The developer has not obtained actual knowledge of the occurrence of any Significant Events, as described in Attachment A.

National Harbor Development LLC

By: National Harbor Development LLC

By: 

Title: Manager

Date: 11/9/06

## ATTACHMENT A

### Reporting of Significant Events

Whenever the Developer obtains actual knowledge of the occurrence of one or more of the following events, the Developer shall contact the Administrator, who shall immediately report such event to the Trustee and the County as set forth in the Continuing Disclosure Agreement:

- (i) failure to pay any real property taxes (including the Special Taxes) levied within the District on a parcel owned by the Developer, or any Affiliate thereof;
- (ii) material damage to or destruction of any development or improvements within the District;
- (iii) material default by the Developer, or any Affiliate thereof, on any loan with respect to the construction or permanent financing of District development;
- (iv) material default by the Developer, or any Affiliate thereof, on any loan secured by property within the District owned by the Developer, or any Affiliate thereof;
- (v) the filing by or against the Developer, or any Affiliate thereof, or any owners of more than 25% interest in the Developer, of a bankruptcy petition 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
- (vi) The filing of any lawsuit against the Developer with claim for damages in excess of \$1,000,000 or which may adversely affect the completion of District development, or litigation in excess of \$1,000,000 or which would materially adversely affect the financial condition of the Developer.