

**\$92,850,000**  
**PENINSULA TOWN CENTER COMMUNITY DEVELOPMENT AUTHORITY**  
**SPECIAL OBLIGATION BONDS, SERIES 2007**

**DEVELOPER'S CONTINUING DISCLOSURE STATEMENT**

Attn: Keenan Rice  
MuniCap, Inc.  
6760 Alexander Bell Drive, Ste 220  
Columbia, MD 21046

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement") dated as of September 1, 2007 by and between the undersigned, (i) Peninsula Town Center, LLC (the "Developer") and (ii) MuniCap, Inc. (the "Administrator"), the Developer hereby provides the following information as of September 30, 2008. All terms having initial capitalization and not defined herein shall have the meanings set forth in a Limited Offering Memorandum dated August 29, 2007.

The information provided herein is not intended to supplement the information provided in the Limited Offering Memorandum. 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 September 30, 2008, unless otherwise stated, and no representation is made that the information contained herein is indicative of information that may pertain since the end of the period covered by this report or in the future.

To the best of the knowledge of the undersigned:

- 1) Completion of the Improvements:**
  - A) Improvements Budget:**

**Peninsula Town Center Budget Summary**

HSBC Original Project Budget Summary					HSBC Original Sources And Uses of Funds						Total Funded	Remainder to be Funded
Tab	Budget Item	Total Project Budget	Cost PSF	% of Total	Construction Loan Budget	Loan Funded to Date	Equity Budget	Owner Equity Funded to Date	Public Funding Budget	CDA Funded to Date		
00	Land Acquisition	59,889,059.00	\$53.95	21.69%	2,064,657.00	34,336,226.00	19,003,761.00	30,730,592.90	38,820,641.00	39,276,876.12	104,343,695.02	(44,454,636.02)
01	Site Work	24,699,090.00	\$22.25	8.95%	14,484,014.00	1,897,686.04	304,695.00	683,808.88	9,910,381.00	14,929,180.00	17,510,674.92	7,188,415.08
02	Site Development	12,851,897.00	\$11.58	4.65%	3,632,925.00	100,499.40	-	73,685.98	9,218,972.00	3,946,494.00	4,120,679.38	8,731,217.62
03	Core Construction	75,110,353.00	\$67.66	27.20%	66,299,734.00	7,339,328.65	38,606.00	17,142,162.95	8,772,013.00	7,776,444.00	32,257,935.60	42,852,417.40
04	Tenant Build-Out	42,281,525.00	\$38.09	15.31%	42,281,525.00	2,425.00	-	-	-	-	2,425.00	42,279,100.00
05	Hard Cost Contingency	12,382,407.00	\$11.15	4.48%	12,137,407.00	-	245,000.00	-	-	-	-	12,382,407.00
06	Operations/Marketing	3,805,000.00	\$3.43	1.38%	2,855,000.00	271,311.12	950,000.00	3,683.37	-	-	274,994.49	3,530,005.51
07	Leasing Costs	6,731,244.00	\$6.06	2.44%	6,731,244.00	939,305.95	-	335,137.74	-	-	1,274,443.69	5,456,800.31
08	Planning Costs	9,341,325.00	\$8.42	3.38%	-	3,699,141.40	9,341,325.00	489,409.30	-	-	4,188,550.70	5,152,774.30
09	Development Costs	9,210,467.00	\$8.30	3.34%	-	540,997.24	9,210,467.00	3,863,296.36	-	-	4,404,293.60	4,806,173.40
10	Construction Administration	3,096,148.00	\$2.79	1.12%	2,507,748.00	832,588.81	588,400.00	124,970.65	-	-	957,559.46	2,138,588.54
11	Real Estate Taxes	1,400,000.00	\$1.26	0.51%	1,400,000.00	-	-	-	-	-	-	1,400,000.00
12	Carrying Costs	1,599,500.00	\$1.44	0.58%	1,249,500.00	2,216,895.08	350,000.00	326,316.83	-	-	2,543,211.91	(943,711.91)
13	Finance Costs	11,922,000.00	\$10.74	4.32%	11,072,500.00	2,780,593.33	849,500.00	-	-	-	2,780,593.33	9,141,406.67
14	Soft Cost Contingency	1,783,796.00	\$1.61	0.65%	1,783,796.00	-	-	-	-	-	-	1,783,796.00
15	<b>TOTAL COST</b>	<b>276,103,811.00</b>	<b>\$248.73</b>	<b>100.00%</b>	<b>168,500,050.00</b>	<b>54,956,998.02</b>	<b>40,881,754.00</b>	<b>53,773,064.96</b>	<b>66,722,007.00</b>	<b>65,928,994.12</b>	<b>174,659,057.10</b>	<b>101,444,753.90</b>
<p>** Due to delay in bond issuance, preliminary land/tenant relocation costs were funded via construction loan and then reimbursed by CDA funds. Since the construction loan could not be paid down, excess reimbursed funds are held by HSBC.</p> <p>** HSBC requires that we include various privately funded demolition and sitework costs in the "00 Land" category, though they are budgeted under sitework and Site Development. Through September 2008, \$10,879,682 worth of Sitework and Site Development costs have been funded to the GC (Hoar) via private sources.</p> <p>** Accounting adjustments have been made in previous months to the "funded to date" columns since certain site costs had erroneously been booked as core construction costs.</p>												

## 2) **Status of Construction**

### **A) Status of road improvements:**

The first blocks adjoining city streets are complete at Kilgore, Von Schilling, Executive, Cary, and Merchant Lane, except for final lift of Asphalt. The rest of those streets as well as McMenamin, Downey Green, Hartford, Allainby, and Holt are at final rough grade and gravel base on all streets is approximately 60% complete. Final asphalt lift on Cary and Merchant around JCPenney is complete. Offsite road improvements by City of Hampton are 95% complete. Offsite Right of Way improvements by PTC are 95% complete. Sidewalks along Executive Dr, Cunningham Dr, and around the parking garage and buildings A1, A2, C1, C2, D, F and J are complete.

### **B) Status of water infrastructure:**

Water mains in northern and eastern sides of project were previously noted to be complete. Lines on south and west sides are 95% complete. Laterals to buildings are 90% complete. Water meters are in place at JC Penney, and Buildings A1, A2, C1, C2, D, E, F, J. All approvals have been granted by Newport News Water Works.

### **C) Status of sanitary sewer infrastructure:**

Sanitary sewer lines in northern and eastern sides of project were previously noted to be complete. Lines on south and west sides are complete. Laterals to buildings are 90% complete. All approvals have been granted.

### **D) Status of storm water management systems:**

Phase 1A (northern and eastern perimeter of site) was previously noted to be complete. Phase 1B (the rest of the site) is 98% complete. Work is underway on storm sewer south and west of the Target Building pad.

### **E) Status of streetscape, landscape, electricity, recreation and other infrastructure and private utilities developments:**

Electrical and communications duct bank was previously noted to be complete in Phase 1A and is now 90% complete in Phase 1B. Virginia Dominion power has completed their design and is on schedule. Landscape and streetscape work is 85% complete on Phase 1A (north and east of the site) and totally done around JC Penney, C1, and C2 within the Phase 1A area. Street lighting has been installed around JC Penney. Street lights are 60% complete throughout the site. 90% of streetscape and landscaping is under contract. Children's Park and Town Square Park are rough graded and subcontracts awarded.

### **F) Status of parking structure:**

The parking garage is complete. Punchlist work is underway. Certificate of Occupancy is expected by 10/30/08. Pedestrian bridge design is to be complete by 10/30/08.

**G) Status of construction of buildings/stores:**

JC Penney is open. C1 and C2 are complete. Buildings A1, A2, and J are 99% complete. Bldg. F shell construction is 95% complete and tenant fitout work began 10/6/08. Bldg B is 60% complete. Buildings D and E are 90% complete. Bldg. H is 55% complete. Buildings L and M are approximately 35%. Bldg. G pad has been graded, foundation pilings are done. Concrete and steel subcontracts have been awarded.

**3) Status of Financing**

**A. Loans Secured by Property within the District:**

**HSBC – Construction Loan:**

- Loan Amount: \$168,500,000
- Amount drawn through 9/30/08: \$54,956,998
- Amount repaid through 9/30/08: \$0.00
- Balance at 9/30/08: \$54,956,998
- Interest rate: 5.25%

**B. Event of Default on any Loan:** The developer has not received formal written notice and is not aware of any default on any loan secured by property within the district.

**C. Liens:** No other liens exist for borrowed money secured by the property owned by the Developer in the district.

**4) Status of the Target Parcel:**

The Target deal closed on 9/29/08. Target accepted the certified pad and their construction team began mobilizing on site the following day to begin working on foundations. The store will open on July 26, 2009.

5) **Government Permits and Approvals:**

Permit/Approval	Approval Status	Projected Date of Approval	Permitting Agency
Erosion and Sediment Control Permit	Yes	N/A	City of Hampton
Demolition Permit – Phases 1A and 1B	Yes	N/A	City of Hampton
Right of Way Permit - onsite roadway and utilities within Phases 1A and 1B	Yes	N/A	City of Hampton
Site Plumbing Permit - Phases 1A and 1B	Yes	N/A	City of Hampton
Fire Department Approval – Demolition and Infrastructure Plans -	Yes	N/A	City of Hampton
Land Disturbing Permit	Yes	N/A	City of Hampton
Water Approval – Construction Drawing and Water main Alignment – Phase 1A	Yes	N/A	Newport News Water Works
Waste Water System Permit - Phases 1A and 1B	Yes	N/A	Virginia Department of Environmental Quality (VDEQ)
Offsite Roadway Improvement Design	Yes	N/A	City of Hampton
Final Subdivision Plat Approval	Yes	N/A	City of Hampton
Traffic Engineering	Yes	N/A	City of Hampton
Demolition Permit – existing mall	Yes	N/A	City of Hampton
Right of Way Permit	Yes	N/A	City of Hampton
Site Storm and Sanitary Sewer Permit	Yes	N/A	City of Hampton
Fire Department Approval – Water main and Fire Hydrant Layout -	Yes	N/A	City of Hampton Fire Department
Water Approval – Construction Drawing and Water main Alignment – Phase 1B	Yes	N/A	Newport News Water Works
Other Permits and Approvals Land disturbance and Soil conservation	Yes	N/A	State of VA, City of Hampton

6) **Status of Lease:**

Leasing momentum continues to progress. All three Department Stores deals are now fully executed totaling 420,733 square feet of retail space. A total of 100,581 square feet of in-line retail space is now committed with 59,694 square feet of that amount having been fully executed leases. A total of 15,269 square feet of restaurant space is committed with 6,364 square feet of that amount having fully executed leases. Combining department stores, in-line retail, cinema, and restaurant space the project has approximately 907,633 square feet of space of which 536,583 square feet (60%) has been committed via executed leases or signed LOI's.

Status of Lease:

Tenant	Leasable Space (S.F.)	Lease Term	Lease Status	Anticipated Opening	Percentage of Leasable Space
<b>Department Stores</b>					
Macy's Department Store	174,000		Executed Lease	Open	17.2%
J.C Penny Department Store	103,833		Executed Lease	Open	10.3%
Target Department Store	142,900		Executed Land Sale	Jul-09	14.1%
<b>Sub-total – Department Stores</b>	<b>420,733</b>				<b>41.5%</b>
<b>In-Line Retail Stores (Please List)</b>					
Barnes & Noble	29,561	10 years	Executed Lease	Grand Opening	2.9%
Lane Bryant	7,400	10 years	Executed Lease	Grand Opening	0.7%
Lenscrafters	4,200	10 years	Executed Lease	Grand Opening	0.4%
Sunglasses Hut	1,197	10 years	Executed Lease	Grand Opening	0.1%
Lee Spa Nails (A building)	1,587	10 years	Executed Lease	Grand Opening	0.2%
Lee Spa Nails (H building)	1,285	10 years	Executed Lease	Grand Opening	0.1%
Victoria's Secret	8,000	10 years	Executed Lease	Grand Opening	0.8%
Bath and Body Works	3,000	10 years	Executed Lease	Grand Opening	0.3%
Kay Jewelers	1,694	10 years	Executed Lease	Grand Opening	0.2%
Gamestop	1,770	10 years	Executed Lease	Grand Opening	0.2%
New York & Co.	6,117	10 years	LOI / under negotiation	Grand Opening	0.6%
Payless	3,000	5 years	LOI / under negotiation	Grand Opening	0.3%
Forever XXI	12,684	10 years	LOI / under negotiation	Grand Opening	1.3%
Finish Line	3,497	10 years	LOI / under negotiation	Grand Opening	0.3%
Hollister	6,667	10 years	LOI / under negotiation	Grand Opening	0.7%
Sports Fan	1,623	10 years	LOI / under negotiation	Grand Opening	0.2%
Cache	1,868	10 years	LOI / under negotiation	Grand Opening	0.2%
Aeropostale	3,700	10 years	LOI / under negotiation	Grand Opening	0.4%
Gymboree	1,731	10 years	LOI / under negotiation	Grand Opening	0.2%
Remaining leasable In-Line retail space	235,319				23.2%
<b>Sub-total – In-line retail stores</b>	<b>335,900</b>				<b>33.2%</b>
<b>In-line Restaurants (Please List)</b>					
Five guys	2,905	10 years	LOI / under negotiation	Grand Opening	0.3%
Bensi's	6,000	10 years	LOI / under negotiation	Grand Opening	0.6%
Remaining leasable In-line restaurant	76,095				
<b>Sub-total – In-line restaurant space</b>	<b>85,000</b>				<b>8.4%</b>
<b>Restaurant Space (Please List)</b>					
Outback Steakhouse	6,364	6 years	Executed Lease	Open	0.6%
Remaining leasable restaurant space	12,136				
<b>Sub-total – restaurant space</b>	<b>18,500</b>				<b>1.8%</b>
<b>Cinema/Entertainment Space</b>					
<b>Sub-total – entertainment space</b>	<b>47,500</b>				<b>4.7%</b>
<b>Office Space (Please List)</b>					
<b>Sub-total – office space</b>	<b>105,000</b>				<b>10.4%</b>
<b>Total</b>	<b>1,012,633</b>				

Residential Units

Unit Types	Number of Units	Number of Units Leased	Average Lease Price/ Month
Apartments	160	0	N/A
<b>Total</b>	<b>160</b>	<b>0</b>	

- 7) **Legislative, Administrative or Judicial Challenges:** There have been no legislative, administrative, or judicial challenges to the construction of the 2007 Bond Facilities or the development within the district.
- 8) **Material Changes in the Plan to Develop the 2007 Bond Facilities or Development:** There have been no material changes in the plan to develop the 2007 Bond Facilities or the development as described in the Limited Offering Memorandum.
- 9) **Notice of Default received or given by the Company under any Sales Agreement:** There have been no notices of default received or given by the company under any sales agreement between the company and a buyer of land within the district.
- 10) **Amendments or Supplements to the Development/Acquisition Agreement:** There have been no amendments or supplements to the Development/Acquisition Agreement.
- 11) **Other Comments:** None.
- 12) **Reporting of Significant Events:** The developer has not obtained actual knowledge of the occurrence of any significant events attached hereto.

PENINSULA TOWN CENTER, LLC

By: Peninsula Town Center, LLC

By: 

Title: **DEVELOPMENT EXECUTIVE**

Date: 11.20.08

### Significant Events

- (i) failure to pay any real property taxes (including special assessments) levied within the district on a parcel owned by the developer;
- (ii) material damage to or destruction of any improvements within the district;
- (iii) material default by the developer on any loan with respect to the construction or permanent financing of the development;
- (iv) material default by the developer thereof on any loan secured by property within the district owned by the developer;
- (v) the filing of the developer, any general partner of the developer or any owners of more than a 25% interest in the developer in bankruptcy or any determination that the developer or any owner of an interest in the developer or a subsidiary of the developer is unable to pay its debts as they become due;
- (vi) upon receipt by the developer of actual knowledge of the filing of any lawsuit with a claim for damages in excess of \$1,000,000 against the developer which may adversely affect the completion of the 2007 Bond facilities or the development or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the developer; and
- (vii) material changes in the organization or ownership of the developer (as described in the LOM)