ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2006

$25,000,000
City of Annapolis, Maryland
(Park Place Project)
Special Obligation Bonds
Series 2005 A & B

Prepared by:

MuniCap, Inc.

April 20, 2007

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. *UPDATED INFORMATION*

Information updated from the Limited Offering Memorandum dated February 8, 2005 is as follows:

- According to the developer, JBJ/Carlyle Park Place, Limited Partnership, as of December 31, 2006, the underground parking garage structure was 90 percent complete. The developer anticipates that construction on the underground parking garage will be completed by the summer of 2007 and the garage should open for business shortly thereafter.

- As of December 31, 2006, the developer reports that Phase I of the development, including Office Building I, the mixed-use garage, 208 condominium units, the condominium garage, and the hotel and retail space is anticipated to be completed by the summer of 2007. The developer reports that Office Building II in Phase II of the development is anticipated to be completed by the summer of 2008. The developer reports that the estimated completion date for the auditorium is undetermined at this time.

- The developer reports that the building permit for Office Building I was issued on January 19, 2006 and construction began in May, 2006. As of December 31, 2006, the developer reports that construction of Office Building I is approximately 90 percent complete.

- The developer reports that building permits for 208 residential condominiums units were issued on May 19, 2005. As of December 31, 2006, the developer reports that construction is approximately 90 percent complete on the 208 residential condominiums units.

- The developer reports that the building permits for the hotel and retail space were issued on May 19, 2006 and construction began in May 2006. As of December 31, 2006, the developer reports that construction is approximately 80 percent complete on the hotel and retail space. The developer reports that tenant build-out for the retail spaces will commence once permits for tenant build-out are issued for the retail facilities.

- As of December 31, 2006, the developer reports that office space totaling 50,067 square feet has been leased to the following tenants: Sensorcom, Merrill Lynch, PharmAthene, and BOMI; which represents 38.5 percent of the total leaseable space in Office Building I. Of the remaining leaseable space in Office Building I, the developer reports that leases are out for signature with three tenants for 16,042 square feet of space, which represents 12.3 percent of the total leaseable space in Office Building I, and the remaining leaseable space of 63,952 square feet continues to be marketed to potential tenants.

- As of December 31, 2006, the developer reports that retail space totaling 20,224 square feet has been leased to the following tenants: Carapaccio, Saucy, Ciabella, Starbucks, Veruna (Aveda), Papery and Fado; which represents 73.3 percent of the total leaseable retail space. The developer reports that the remaining leaseable retail space of 7,349 square feet continues to be marketed to potential tenants.

- As of December 31, 2006, the number of residential condominium units under construction was 208. The developer also reports that as of December 31, 2006, 135 of the 208 residential condominium units have been sold and that none of the 208 residential condominium units have closed with home buyers.

- As of December 31, 2006, the developer reports that bond proceeds expended for the costs of the public improvements were $13,270,055, which is equal to 71 percent of the budget for the public improvements.

- According to the City of Annapolis, the ad valorem tax rate for taxable real property within the city limits has decreased from 0.56 in fiscal year 2005-2006 to 0.53 per $100 of assessed value in fiscal year 2006-2007.

- According to Anne Arundel County, the ad valorem tax rate for taxable real property within the City of Annapolis has decreased from 0.555 in fiscal year 2005-2006 to 0.548 per $100 of assessed value in fiscal year 2006-2007.

- According to the Maryland Department of Assessments and Taxation, as of July 1, 2006, the phased-in assessed value of the taxable property within the tax increment district was $12,661,932. According to Anne Arundel County, the base year assessed value of the real property in the tax increment district was $3,884,575, which is $2,446,386 reduction in the estimated base year assessed value outlined in the LOM. As a result, for fiscal year 2006-2007, the incremental assessed value of property within the district is $8,777,357.

- According to Anne Arundel County, tax increment revenues for fiscal year 2006-2007 were $48,100. The county also reports that, as of March 14, 2007, $48,100 in tax increments revenues have been collected from the property owners within the development site, representing 100 percent of the tax increment revenues due.

- According to the City of Annapolis, tax increment revenues for fiscal year 2006-2007 were $46,520. The city also reports that, as of March 14, 2007, $46,520 in tax increment revenues have been collected from the property owners within the development site, representing 100 percent of the tax increment revenues due.

II. INTRODUCTION

The City of Annapolis, Maryland (the City) issued $18,560,000 of Series 2005A Special Obligation Bonds and $6,440,000 of Series 2005B Special Obligation Bonds (the Bonds) in February 2005 pursuant to the provisions of Article 41 § 14-201 through § 14-214, inclusive, of the Annotated Code of Maryland, as amended (the TIF Act), and Article 23A, § 44A, of the Annotated Code of Maryland, as amended (the Special Taxing District Act), as amended, Ordinance No. O- 14-01 (the Ordinance) adopted by the City Council of Annapolis, Maryland (the City Council) on May 14, 2001 and Resolution No. R-22-04 (the Resolution) adopted by the City Council on December 13, 2004, and an Indenture of Trust by and between the City of Annapolis, Maryland and Manufacturers and Traders Trust Company, as trustee (the Trustee), dated as of February 1, 2005 (the Indenture).

The Park Place Development District (the District) was established pursuant to the TIF Act and Resolution No. R-8-01, which was adopted by the Annapolis City Council on May 14, 2001, which also established the Special Taxing District pursuant to the Special Taxing District Act.

The Series 2005 A and B Bonds are secured by: (i) the proceeds of tax collections by the city and by Anne Arundel County, Maryland (the "County"), arising from the taxation of the increase, if any, in the appraised value of real property located in the Park Place Development District over an original assessable base exclusive of amounts payable to the State of Maryland (the Tax Increment Revenues); and (ii) to the extent the Tax Increment Revenues are insufficient, Garage Net Operating Income deposited into the Garage Net Operating Income Fund established under the Indenture; and (iii) to the extent that the Tax Increment Revenues and the Garage Net Operating Income deposited into the Garage Net Operating Income Fund are insufficient, the Special Tax (the Special Tax) to be levied on the taxable parcels within the Special Tax District.

The Development is a mixed-use condominium development located in Annapolis, Maryland on approximately 12 acres of property, and is expected to ultimately consist of a hotel, an office building, a residential condominium building containing at least 166 residential units, a central plaza with limited retail space, sidewalks and roadways located above an underground parking garage.

Pursuant to the Limited Offering Memorandum (LOM), the Series 2005 A and B Bonds were sold to finance the costs of the public parking garage, together with related drive isles, ramps and walkways; garage roof; general excavation and miscellaneous site work; paving and lighting; land; planning, engineering, architectural, financial consultancy and legal expenses; and the relocation and construction of certain public utilities and improvements related to the project.

Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is not required for the bonds. However, the developer and the administrator have agreed to provide financial information, operating data and event disclosures that will comply with the Rule as if it were legally required.

The developer of the Park Place Project is JBJ/Carlyle Park Place, Limited Partnership, which is a Delaware Limited Partnership.

The information in this report on development activity was provided by the developer (JBJ/Carlyle Park Place, LP) and is believed to be accurate; however, no effort has been made to independently verify the information.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The Park Place Development District consists of approximately 11.05 acres off of Westgate Circle, located on the northeast side of the intersection of West Street and Taylor Avenue in the City of Annapolis, Maryland. West Street is a primary east-west arterial in Annapolis. Taylor Avenue and adjacent Spa Road, located nearby, are arterials for north-south traffic in Annapolis. Taylor Avenue also provides access to U.S. Route 50 by way of Rowe Boulevard.

As outlined in the Limited Offering Memorandum (the LOM), the developer originally proposed to develop the property within the district as a mixed-use development consisting of a six-story, 225-room full service hotel; a five-story, Class "A" office building; a seven-storey, 166 unit (with a potential for 208 units) residential condominium complex; one or two additional office or residential condominium buildings; a performing arts auditorium; and a clock tower structure, with a central plaza, sidewalks, roadways and a lower level retail facility surrounding the plaza, atop a three-storey, underground parking garage structure with spaces for approximately 1,400 vehicles (the Parking Garage).

As outlined in the LOM, Phase One of the development will consist of the hotel, the first office building, the 166-unit residential condominium building and the underground parking garage. Later phases of the development include 42 additional residential condominium units, the clock tower and may include the second office or residential condominium building, a performing arts auditorium and a third office or residential condominium building.

B. STATUS OF UNDERGROUND PARKING GARAGE CONSTRUCTION

According to the developer, JBJ/Carlyle Park Place, Limited Partnership, as of December 31, 2006, the underground parking garage structure was 90 percent complete. The developer reports that the installation of gas and electric utilities have been completed and the installation of permanent power and the light fixtures have been installed on the P2 and P3 levels of the underground parking garage. The developer further reports that electrical installation is underway on the P1 level and should be completed soon. The developer also reports that Thyssen has completed the installation of the elevators, which are ready for inspection. The painting is substantially complete on the P3 level, 75% complete on the P2 level and 30% complete on the P1 level. The floors have been swept and are being prepared for final cleaning, sealing and striping. Mechanical rough in has been completed and the fans, unit heaters and piping has been installed and tested. Controls and instrumentation is scheduled to be installed in the spring of 2007. The installation of the ceiling on the P1 level has been rescheduled and is anticipated to be installed in the spring of 2007. The life safety system has been installed and will soon be tested while miscellaneous punch list work is underway and anticipated to be completed shortly. The developer anticipates that construction on the underground parking garage will be completed by the summer of 2007 and the garage should open for business shortly thereafter.

C. STATUS OF VERTICAL CONSTRUCTION

As of December 31, 2006, the developer reports that Phase I of the development, including Office Building I, the mixed-use garage, 208 condominium units, the condominium garage the hotel and retail space, is anticipated to be completed by the summer of 2007. The developer reports that Office Building II in Phase II of the development is anticipated to be completed by the summer of 2008. The developer reports that the estimated completion date for the auditorium is undetermined at this time.

Table III-1 below shows the phases of construction and the estimated completion date by development type, as of December 31, 2006.

Table III-1
Estimated Development Completion Dates

Development	Estimated Square Feet or Number of Units/Spaces/Rooms/Seats	Estimated Completion Date
Phase I		
Office Building I	130,061 square feet	Summer 2007
Mixed-Use Garage	1,114 spaces	Summer 2007
Condominium	208 units	Summer 2007
Condo Garage	405 spaces	Summer 2007
Hotel	225 rooms	Summer 2007
Retail	27,573 square feet	Summer 2007
Phase II		
Office Building II	112,761 square feet	Summer 2008
Auditorium	1,200 seats	Undetermined

The developer reports that the building permit for Office Building I was issued on January 19, 2006 and construction began in May, 2006. As of December 31, 2006, the developer reports that construction of Office Building I is approximately 90 percent complete. The developer reports that building permits for 208 residential condominiums units were issued on May 19, 2005. As of December 31, 2006, the developer reports that construction is approximately 90 percent complete on the 208 residential condominiums units.

The developer reports that the building permits for the hotel and retail space were issued on May 19, 2006 and construction began in May 2006. As of December 31, 2006, the developer reports that construction is approximately 80 percent complete on the hotel and retail space. The developer reports that tenant build-out for the retail spaces will commence once permits for tenant build-out are issued for the retail facilities.

(i.) Leasing Status

Table III-2 below provides a list of those entities that are currently reported as tenants in Park Place Project. As of December 31, 2006, the developer reports that office space totaling 329,274 square feet has been leased to the following tenants: Sensorcom, Merrill Lynch, PharmAthene, and BOMI; which represents 38.5 percent of the total leaseable space in Office Building I. Of the remaining leaseable space in Office Building I, the developer reports that leases are out for signature with three tenants for 16,042 square feet of space, which represents 12.3 percent of the total leaseable space in Office Building I, and the remaining leaseable space of 63,952 square feet continues to be marketed to potential tenants.

As of December 31, 2006, the developer reports that retail space totaling 20,224 square feet has been leased to the following tenants: Carapaccio, Saucy, Ciabella, Starbucks, Veruna (Aveda), Papery and Fado; which represents 73.3 percent of the total leaseable retail space. The developer reports that the remaining leaseable retail space of 7,349 square feet continues to be marketed to potential tenants.

The developer reports that leasing activity is strong and is encompassing a broad tenant mix. The developer also anticipates that a portion of available retail space will be partially leased as office space and partially designated as property management and engineer's office.

Table III-2
Status of Leasing

Status of Negotiations	Tenant	Square Footage	Percent
Phase I			
Signed Leases - Office			
	Sensorcom	9,148	7.0%
	Sensorcom Expansion	3,517	2.7%
	Merrill Lynch	15,433	11.9%
	PharnAthene	11,855	9.1%
	BOMI	10,114	7.8%
Subtotal Office		50,067	38.5%
Leases out for Signature - Office	Three tenants	16,042	12.3%
Remaining Leaseable Office Space		63,952	49.2%
Total Office		130,061	100.0%
Signed Leases - Retail			
	Carpaccio	4,128	15.0%
	Saucy	750	2.7%
	Ciaobell	778	2.8%
	Starbucks	1554	5.6%
	Veruna (Aveda)	4,000	14.5%
	Papery	2,600	9.4%
	Fado	5,509	20.0%
	Carpaccio Expansion	905	3.3%
Subtotal Retail		20,224	73.3%
Remaining Leaseable Retail Space		7,349	26.7%
Total Retail		27,573	100.0%
Total Phase I		**157,634**	**100.0%**

(ii.) Status of Residential Condominium Sales

As shown in Table III-3 below, as of December 31, 2006, the number of residential condominium units under construction was 208. The developer also reports that as of December 31, 2006, 135 of the 208 residential condominium units have been sold at an average selling price of $ and that none of the 208 residential condominium units have closed with home buyers.

Table III-3
Status of Condominium Sales

Phase	Number of Planned Residential Condominium Units	Residential Condominium Units Under Construction	Residential Condominium Units Sold	Residential Condominium Units Closed	Average Selling Price
Phase I	208	208	135	0	0
Total	**208**	**208**	**135**	**0**	**0**

D. STATUS OF PUBLIC IMPROVEMENTS

The Series 2005 A and B Special Obligation Bonds were issued to finance the costs of the public parking garage structure, together with related drive isles, ramps and walkways; garage roof; general excavation and miscellaneous site work; paving and lighting; land; planning, engineering, architectural, financial consultancy, legal expenses and the relocation and construction of certain public utilities and improvements related to the project.

According to the developer, as of December 31, 2006, bond proceeds in the total amount of $13,270,055 were spent for costs related to the public improvements. Table III-4 below shows the budget and spending details for the public improvements as of December 31, 2006.

Table III-3
Status of Public Improvements

Public Improvement	Original Budget	Budget Changes	Revised Budget	Work Completed	Percent Completed
Direct Garage Construction Costs	$11,922,908	$0	$11,922,908	$10,149,656	85%
Outside Sitework	$1,036,053	$0	$1,036,053	$620,039	60%
Architects Fees	$476,301	$74,201	$550,502	$550,502	100%
Engineers Fees	$112,856	$287,770	$400,626	$400,626	100%
Development Costs	$211,958	$145,289	$357,247	$357,247	100%
General Conditions	$824,406	$46,442	$870,848	$870,848	100%
General Contractor Fee	$1,010,926	$0	$1,010,926	$706,211	70%
Contingency	$492,500	($361,977)	$130,523	$56,843	44%
allowance for Sales Taxes	$93,157	($60,000)	$33,157	$5,513	17%
Land	$1,770,652	$0	$1,770,652	$1,770,652	100%
Developer Fee	$520,351	$0	$520,351	$0	0%
Contract Price Adj. for soil Disposal	$131,361	($131,361)	$0	$0	0%
Total	**$18,603,428**	**$0**	**$18,603,428**	**$13,270,055**	**71%**

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2005 A and B Bonds is Manufacturers and Traders Trust Company. The initial bond proceeds deposited, interest paid, disbursements, additional proceeds, and account balances for each fund, as of December 31, 2006, are shown in the table below.

Table IV-1
Fund Balances

	Initial Deposit	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/06
Project Fund	$18,333,404	$653,287	$0	$15,220,170	$3,766,521
Cost of Issuance Fund	$1,115,000	$1,137	$0	$1,116,132	$5
Reserve Fund	$2,257,660	$148,159	$0	$63,721	$2,342,097
Capitalized Interest Fund	$2,796,792	$122,209	$63,721	$1,778,717	$1,204,006
Admin Expenses	$58,394	$2,868	$2,157	$29,266	$34,154
Total:	$24,561,250	$927,660	$65,878	$18,208,006	$7,346,782

The additional proceeds to the Capitalized Interest Account were transfers of investment income from the Reserve Fund to pay debt service. The additional proceeds to the Administrative Expense Fund were transfer of funds from the Cost of Issuance Fund. The disbursements from the Project Fund were for the costs of the public improvements. Disbursements from the Cost of Issuance were for payments related to issuance of the Series 2005 A and B Bonds. Disbursements from the Capitalized Interest Account were for debt service payments on the Series 2005 A and B Bonds. Disbursements from the Reserve Fund were transfers of investment income to the Capitalized Interest Account to pay debt service on the Series 2005 A and B Bonds. The disbursements from the Administrative Expense Fund were payments for administrative expenses.

Table IV-2 below shows the approximate rate of return on the investments of the bond proceeds. Most of the bond proceeds are invested in U.S. Treasury Money Market Accounts currently earning 4.66 percent per annum.

Interest earned on the Project Fund shall remain in that fund and be used for the purposes of such fund. According to Section 4.05 of the Trust Indenture, on each Interest Payment date on or before July 1, 2007, the trustee shall transfer interest earned on amounts on deposit in the Reserve Fund to the Capitalized Interest Account, and on each Interest Payment Date after July 1, 2007, the trustee shall transfer interest earned on amounts on deposit in the Reserve Fund to the Debt Service Fund or the Administrative Expense Fund, as shall be directed by the City. Interest earned on the Administrative Expense Fund shall remain in that fund and be used for the purposes of such fund.

Table IV-2

Account		Rate of Return
Project Fund		4.66%
Reserve Fund		4.66%
Capitalized Interest Fund		4.66%
Admin. Expense Account		4.66%

V. DISTRICT OPERATIONS

A. SPECIAL TAX LEVY

The City of Annapolis, Maryland issued $18,560,000 of Series 2005A Special Obligation Bonds and $6,440,000 of Series 2005B Special Obligation Bonds in February 2005 pursuant to the provisions of Article 41 § 14-201 through § 14-214, inclusive, of the Annotated Code of Maryland, as amended (the TIF Act), and Article 23A, § 44A, of the Annotated Code of Maryland, as amended (the Special Taxing District Act), as amended. The Bonds were issued to finance certain public improvements in connection with the proposed development of the Park Place Development District.

A special tax shall be levied and collected in the City of Annapolis Park Place Special Taxing District from each parcel of taxable property within the district each tax year. Special taxes are to be levied in two steps. First, the administrator shall calculate the preliminary special tax requirement for each parcel to determine if the parcel is a taxed parcel. Second, the administrator shall determine the special tax requirement for each taxed parcel. The balance of this report explains the methodology employed to calculate the special tax requirement for the property to be taxed in the Park Place Special Taxing District for fiscal year 2006-2007.

(i.) Determination of Land Use Class

Special taxes are to be levied each year on the taxable property within the development district based on each parcels assigned land use class. The Rate and Method of Apportionment (RMA) specifies the following land use classes for property in the development district:

- I. Public Property
- II. Owner Association Property
- III. Parking Garage Property
- IV. Taxable Property
  - A. Developed Property
    - 1. Hotel Property
    - 2. Office Property
    - 3. Residential Property
  - B. Undeveloped Property

Public property, owner association property (*i.e.,* property owned by an association) and parking garage property are not subject to special taxes. Undeveloped and developed properties are subject to special taxes, as described in the balance of this report.

Taxable property is assigned a land use class for each fiscal year. Developed property is hotel, office or residential property for which a certificate of occupancy has been issued. Undeveloped property is property for which (*i.*) a certificate of occupancy has not been issued or (*ii.*) property for which a certificate of occupancy has been issued but which does not constitute hotel, office or residential property.

Preliminary Special Tax Requirement

According to the RMA, special taxes are to be levied in two steps. First, the administrator shall calculate the Preliminary Special Tax Requirement for each parcel to determine if the parcel is a taxed parcel. Second, the administrator shall determine the Special Tax Requirement for each taxed parcel. The Preliminary Special Tax Requirement for each parcel of taxable property is equal to the Maximum Aggregate Special Tax Requirement multiplied by the Land Use Percentage Benefit less the Parcel Tax Increment Payment.

Maximum Aggregate Special Tax Requirement

The maximum aggregate special tax requirement means an amount for any tax year equal to:

> (A) The amounts required in any tax year to pay (1) debt service and other periodic costs, including deposits to any sinking funds, on any bonds to be paid in such tax year under any indenture of trust (including debt service and other periodic costs on any bonds which were payable in any previous tax year but were not paid by the development district), (2) administrative expense to be incurred in such tax year or which were incurred in any previous tax year but were not paid by the development district, (3) any amount required to replenish any reserve fund established under any indenture of trust in association with any bonds, (4) an amount equal to the estimated delinquencies expected in payment of the special tax not otherwise taken into account, and (5) the cost of remarketing, credit enhancement, bond insurance, and liquidity facility fees, including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash with respect to any bonds (including such costs that were payable in any in any previous tax year but were not paid by the development district, less (B)(1) the garage net operating income, (2) any credits available pursuant to any indenture of trust for the payment described in clause (A) above (such as capitalized interest, reserves, and investment earnings on any account balances to the extent any of these is available for the payment of any amount described in clause (A) above but excluding any credits for tax increment revenues), and (3) excess special tax revenue as described in Section B.6 of the RMA; provided, however, that the amount included for the replenishment of the reserve funds and for estimated delinquencies, as provided in the parenthetical clauses in clauses (A)(1) and (A)(5) and in clauses (A)(3) and (A)(4) above, shall not cause the maximum aggregate special tax requirement to be more than ten percent (10%) greater than the maximum aggregate special tax requirement calculated under the assumption that the amount for each of the parenthetical clauses in clauses (A)(1) and (A)(5) and of clauses (A)(3), (A)(4), (B)(2) and (B)(3) above is zero. The maximum aggregate special tax requirement for any tax year shall not be less than zero.

Table V-1 below provides a summary of the maximum aggregate special tax requirement for fiscal year 2006-2007. Available capitalized interest and other available credits will be sufficient to pay debt service on the bonds and administrative expenses for fiscal year 2006-2007. Accordingly, the maximum aggregate special tax requirement for fiscal year 2006-2007 is zero. Each of these numbers is explained in the following sections.

Table V-1
Maximum Aggregate Special Tax Requirement
Fiscal Year 2006-2007

Debt Service:	
Semi-annual interest on January 1, 2007	$649,430
Semi-annual interest on July 1, 2007	$649,430
Principal on July 1, 2007	$0
Total Debt Service	$1,298,860
Administrative Expenses	$20,000
Subtotal Expenses:	$1,318,860
Garage Net Operating Income	$0
Available Capitalized Interest Account	$1,204,986
Available Reserve Fund Interest Income on June 30, 2006	$30,693
Reserve Fund Interest Income	$91,887
Available Administrative Expense Fund	$20,000
Excess Special Tax Revenues	$0
Subtotal Available Funds:	$1,355,468
Maximum Aggregate Special Tax Requirement	$0

Debt Service

Debt service includes semi-annual interest payments of $496,480 on the Series 2005A Bonds and $152,950 on the Series 2005B Bonds due on January 1, 2007 and July 1, 2007. These payments equal interest for six months on the outstanding Series 2005A Bonds of $18,560,000 earning 5.35 percent and interest for six months on the outstanding Series 2005B Bonds of $6,440,000 earning 4.75 percent, respectively. There is no principal payment on the bonds on July 1, 2007. As a result, total debt service is equal to $1,298,860.

Administrative Expenses

Administrative expenses are estimated to be $20,000.00 for fiscal year 2006-2007. There are no remarketing, credit enhancement, bond insurance or liquidity facility fees for fiscal year 2006-2007. As a result, total administrative expenses for fiscal year 2006-2007 are estimated to be $20,000.00.

Garage Net Operating Income

Construction of the parking garage has not been completed. As a result, there are no net parking garage operating revenues available to apply to the maximum aggregate special tax requirement for fiscal year 2006-2007.

Available Capitalized Interest

The available bond proceeds and interest income earned in the Capitalized Interest Account through July 1, 2007 are shown in Table V-2 below. As of June 30, 2006, the balance in the Capitalized Interest Account was $1,816,609.24. Bond proceeds in the Capitalized Interest Account are invested in a US Government Money Market Fund currently earning 4.42 percent per annum.

Table V-2
Available Capitalized Interest Account
Fiscal Year 2006-2007

Balance on June 30, 2006	$1,816,609
Semi-annual interest payment on July 1, 2006	($649,430)
Balance on July 2, 2006	$1,167,179
Interest earned thru December 31, 2006	$25,795
Semi-annual interest payment on January 1, 2007	($649,430)
Balance on January 2, 2007	$543,544
Interest earned thru June 30, 2007	$12,012
Semi-annual interest payment on July 1, 2007	($679,430)
Balance on July 2, 2007	$0

A balance of $1,167,179.24 will remain in the account after the semi-annual debt service payment of $649,430.00 on the Series 2005A and B Bonds is made on July 1, 2006. At the current interest rate, an estimated $25,794.66 in interest income will be earned prior to the next semi-annual debt service payment of $649,430.00 on the Series 2005A and B Bonds on January 1, 2007, resulting in a balance of $1,192,973.90 that will be made available to pay debt service on the Series 2005A and B Bonds for fiscal year 2006-2007. An additional $12,012.32 in interest income will be earned on the bond proceeds remaining in the Capitalized Interest Account through July 1, 2007, resulting in total funds available in the Capitalized Interest Account of $1,204,986.22 (i.e., $1,167,179.24 + $25,794.66 + $12,012.32 = $1,204,986.22) that will be made available to apply to the maximum aggregate special tax requirement for fiscal year 2006-2007.

Reserve Fund Interest Income

As of June 30, 2006, the balance in the Series A and B Reserve Fund was $2,288,352.99, which includes the original deposit of $2,257,659.86 and interest earnings of $30,693.13. The interest income currently held in the Reserve Fund will be used to pay debt service on the bonds in fiscal year 2006-2007. Bond proceeds in the amount of $2,257,659.86 are invested in a US Government Money Market Fund currently earning 4.42 percent per annum. At the current yield on the reserve requirement, an estimated $99,788.57 in interest income will be earned on the Series A and B Reserve Fund through June 30, 2007, which will be made available to apply to the maximum aggregate special tax requirement for fiscal year 2006-2007.

Available Administrative Expenses Fund

As of June 30, 2006, the balance in the Administrative Expense Fund was $35,435.36. Administrative expenses have been pre-funded in the amount of $20,000.00 each year for the first three fiscal years. Accordingly, $20,000.00 will be made available to apply to the maximum aggregate special tax requirement for fiscal year 2006-2007.

Excess Special Tax Revenues

Special taxes have not been levied. As a result, there are no excess special tax revenues available to apply to the maximum aggregate special tax requirement for fiscal year 2006-2007.

Land Use Percentage Benefit

The land use benefit for each parcel of taxable property is equal to the sum of equivalent units for each land use class on a given parcel divided by the aggregate number of equivalent units for each land use class on every parcel of taxable property within the development district. The equivalent units for each land use class are shown in Table V-3 below.

Table V-3
Land Use Percentage Benefit

Land Use Class	Equivalent Units
Hotel Property	1.0
Office Property	.54
Residential Property	.05
Undeveloped Property	.76

Parcel Tax Increment Payments

According to the RMA, parcel tax increment payment is equal to the amount of the tax increment revenues with respect to the applicable parcel for the tax year for which the special tax is being calculated. If a portion of a parcel is located outside the development district, then an allocation of tax increment revenues shall be made by the city between the portion of the parcel within the development district and the portion of the parcel outside the development district, and only tax increment revenues relating to the portion of the parcel within the development district shall be included in the calculation of the parcel tax increment payments.

As shown in Table V-4 below, the total land area of the parcels comprising the development district is equal to 10.69 acres, of which, 0.23 acres (account number 06-000-08115800), comprising a parcel owned by the City of Annapolis, an unavailable amount of acreage (account number 90222206), comprising the public parking garage parcel, and .48 acres (account number 90222212), comprising a right of way dedication parcel, are tax exempt. Accordingly, for purposes of calculating the parcel tax increment payments, only 9.98 acres of the total land area of the parcels are located within the development district and taxable. According to the engineer, an additional 0.67 acres of property (account number 90222211), is located within the tax increment district but outside of the special taxing district. As a result, 9.98 acres of this land area is located within the development district.

Table V-4
Parcels Comprising the Development District
Fiscal Year 2006-2007

District	Subdivision	Account Number	Tax Map	Parcel	Total Parcel Area (in acres)	TIF Development District Area (in acres)	Special Tax District Area (in acres)
06	000	08115800	7Z	55	0.23	0.00	0.00
06	667	90222203	7Z	53	1.02	1.02	1.02
06	667	90222204	7Z	53	0.99	0.99	0.99
06	667	90222205	7Z	53	1.14	1.14	1.14
06	667	90222206	7Z	53	n/a	0.00	0.00
06	667	90222207	7Z	53	n/a	n/a	n/a
06	667	90222208	7Z	53	0.62	0.62	0.62
06	667	90222209	7Z	53	0.35	0.35	0.35
06	667	90222210	7Z	53	1.79	1.79	1.79
06	667	90222211	7Z	53	0.67	0.67	0.00
06	667	90222212	7Z	53	0.48	0.00	0.00
06	667	90222213	7Z	53	0.85	0.85	0.85
06	667	90222214	7Z	53	2.39	2.39	2.39
06	667	90222215	7Z	53	0.10	0.10	0.10
06	667	90222216	7Z	53	0.06	0.06	0.06
Total:					10.69	9.98	9.31

As shown in Table V-5 below, the assessed value of the taxable property in the development district for the base year was equal to $6,330,961. The phased-in assessed value of all of the taxable property included in the parcels as of July 1, 2006 is equal to $11,722,099. Excluding the acreage of public property results in a phased-in assessed value of $11,772,099 as of July 1, 2006. The incremental assessed value is, therefore, equal to $5,441,138 ($11,772,099 - $6,330,961 = $5,441,138).

Table V-5
Base Year Assessed Values

District	Subdivision	Account Number	Tax Map	Parcel	Base Year Assessed Values
06	000	08832595	7Z	53	$5,370,390
06	000	08115800	7Z	55	$0
06	000	02805604	7Z	73	$711,246
06	000	00306600	3Z	204	$54,759
06	000	01583400	3Z	295	$194,566
Total:					$6,330,961

The real property tax rate for the City of Annapolis for fiscal year 2006-2007 is equal to $0.53 per $100 of assessed value. Accordingly, based on the incremental assessed value in the development district and the real property tax rate, the city parcel tax increment payments are estimated to be equal to $28,838.03 and are shown in Table V-6 below.

Table V-6
City Parcel Tax Increment Payments
Fiscal Year 2006-2007

Phase-in Assessed Value @ July 1, 2006	$11,722,099
Less Base Year Assessed Value	($6,330,961)
Incremental assessed value	$5,441,138
Parcel Tax Increment Payments @ 0.53/$100 AV	$28,838

The real property tax rate for Anne Arundel County for fiscal year 2006-2007 is equal to $0.931 per $100 of assessed value. Accordingly, based on the incremental assessed value in the development district and the real property tax rate, the county parcel tax increment payments are estimated to be equal to $50,656.99 and are shown in Table V-7 below. Accordingly, the aggregate tax increment payment is equal to $79,495.03.

Table V-7
County Parcel Tax Increment Payments
Fiscal Year 2006-2007

Phase-in Assessed Value @ July 1, 2006	$11,722,099
Less Base Year Assessed Value	($6,330,961)
Incremental assessed value	$5,441,138
Parcel Tax Increment Payments @ 0.931/$100 AV	$50,657

Summary Preliminary Special Tax Requirement

As defined in the RMA, the preliminary special tax requirement is equal to the maximum aggregate special tax requirement multiplied by the land use percentage benefit less the parcel tax increment payment. For fiscal year 2006-2007, the maximum aggregate special tax requirement is zero. As a result, the product of the maximum aggregate special tax requirement and the land use percentage benefit is zero. Subtracting the aggregate parcel tax increment payment of $79,495.03 from this amount results in a preliminary special tax requirement for fiscal year 2006-2007 of zero for each parcel.

Special Tax Requirement

According to the RMA, the special tax requirement is defined as the amount obtained for each parcel of taxable property by subtracting the Share of the Allocable Tax Increment Revenue for such parcel from the preliminary special tax requirement for such parcel. The Share of Allocable Tax Increment Revenue for each tax year is equal to the amount of Allocable Tax Increment Revenue obtained by multiplying the Allocable Tax Increment Revenue for the applicable tax year by a fraction, the numerator of which is the assessed value for such parcel and the denominator of which is the aggregate assessed value of all of the taxed parcels for such tax year.

Allocable Tax Increment Revenue

Allocable Tax Increment Revenue is equal to the amount by which in each tax year (*i.*) the sum of the parcel tax increment payments for each non-taxed parcel exceeds (*ii.*) the sum of the amounts obtained by multiplying the maximum aggregate special tax requirement by the land use percentage benefit for each such non-taxed parcel. The sum of the parcel tax increment payments in fiscal year 2006-2007 is equal to $79,495.03. The sum of the amounts obtained by multiplying the maximum aggregate special tax requirement by the land use percentage benefit is equal to zero. Accordingly, Allocable Tax Increment Revenue is equal to $79,495.03, the tax increment payments.

Share of Allocable Tax Increment Revenue

The Share of Allocable Tax Increment Revenue for each tax year is equal to the amount of Allocable Tax Increment Revenue obtained by multiplying the Allocable Tax Increment Revenue for the applicable tax year by a fraction, the numerator of which is the assessed value for such parcel and the denominator of which is the aggregate assessed value of all of the taxed parcels for such tax year. The Share of the Allocable Tax Increment Revenue for each parcel for fiscal year 2006-2007 is shown in Table I below.

Summary Special Tax Requirement

According to the RMA, the special tax requirement is defined as the amount obtained for each parcel of taxable property by subtracting the Share of the Allocable Tax Increment Revenue for such parcel from the preliminary special tax requirement for such parcel. As shown above, the preliminary special tax requirement for each parcel is zero. Accordingly, and as shown in Table I below, there are no taxed parcels.

B. SPECIAL ASSESSMENTS LEVIED AND COLLECTED

Special taxes were fully abated for fiscal years 2005-2006 and 2006-2007. As a result, there are no delinquent special taxes at this time.

C. DELINQUENT PROPERTY TAXES

According to the Anne Arundel County, tax increment revenues for fiscal year 2006-2007 were $48,100, which is $2,557 lower than what was estimated ($50,657) in the special tax report as shown in section (A) above. The difference between the estimated tax increment revenues and the actual tax increment revenues is explained by the changes in base year assessed value and the decrease in the ad valorem tax rate. The county reports that, as of March 14, 2007, $48,100 in tax increment revenues were collected from the property owners within the tax increment district, representing 100 percent of the tax increment revenues due.

According to the City of Annapolis, tax increment revenues for fiscal year 2006-2007 were $46,520, which is $17,682 greater than what was estimated ($28,838) in the special tax report as shown in section (A) above. The difference between the estimated tax increment revenues and the actual tax increment revenues is explained by the change in base year assessed values and the decrease in the city's tax rate. The city reports that, as of March 14, 2007, $46,520 in tax increment revenues were collected from the property owners within the tax increment district, representing 100 percent of the tax increment revenues due. As a result, there are no delinquent tax increment revenues at this time.

D. COLLECTION EFFORTS

There are no delinquent ad valorem taxes at this time. As a result, there are no collection efforts currently underway.

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, 2006, 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 TO THE RATE AND METHOD OF APPORTIONMENT

There have been no changes to the Rate and Method of Apportionment of Special Taxes.

C. CHANGES IN THE AD VALOREM TAX RATES

The real property tax rate for the City of Annapolis for fiscal years 2005-2006 was 0.56 per $100 of assessed value. The real property tax rate for the City of Annapolis for fiscal year 2006-2007 is $0.53 per $100 of assessed value. The real property tax rate for Anne Arundel County for real property located within the City of Annapolis was $0.555 per $100 of assessed value for fiscal year 2005-2006. The real property tax rate for Anne Arundel County for real property located within the City of Annapolis was $0.548 per $100 of assessed value for fiscal year 2006-2007.

D. INCREASE IN THE SIZE OF THE DISTRICT

According to the City of Annapolis, Maryland, there has been no increase in the size of the district.

E. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

According to the Maryland Department of Assessments and Taxation, as of July 1, 2006, the phased-in assessed value of the taxable property within the tax increment district was $12,661,932. According to Anne Arundel County, the base year assessed value of the real property in the tax increment district was $3,884,575, which is $2,446,386 reduction in the estimated base year assessed value outlined in the LOM. As a result, for fiscal year 2006-2007, the incremental assessed value of property within the district is $8,777,357, as shown in Table VI-1 below.

Table VI-1
Assessed and Incremental Values

Account Number	Base Year Assessed Value	Phased-in Assessed Value as of July 1, 2006	Incremental Assessed Value
6667-9022-2203		$1,740,066	
6667-9022-2204		$1,718,433	
6667-9022-2205		$1,032,400	
6667-9022-2206		$409,833	
6667-9022-2207		$261,200	
6667-9022-2208		$620,000	
6667-9022-2209	$3,884,575	$350,000	$8,777,357
6667-9022-2210		$1,820,000	
6667-9022-2211		$670,000	
6667-9022-2212		$480,000	
6667-9022-2213		$850,000	
6667-9022-2214		$2,550,000	
6667-9022-2215		$60,000	
6667-9022-2216		$100,000	
Total:	**$3,884,575**	**$12,661,932**	**$8,777,357**

F. DISTRICT SPECIAL TAXES LEVIED

Special taxes were fully abated in fiscal years 2005-2006 and 2006-2007. As a result, there are no delinquent special taxes at this time.

G. STATUS OF COLLECTION OF AD VALOREM TAXES

The status of collection of special taxes and tax increment revenues is described above in Section V (B) and (C), "District Operations," of this report.

H. ASSESSED VALUE APPPEALS

According to Anne Arundel County, there have been no appeals of the phased-in July 1, 2006 assessed values for any parcels within the tax increment district.

I. PROPERTY OWNERSHIP

According to the tax records maintained by Anne Arundel County, the list of property owners responsible for more than five percent of the tax increment revenues are shown in Table VI-2 below.

Table VI-2
Property Ownership
As of July 1, 2006

Account Number	Owner	Phased-in Assessed Value as of July 1, 2006	Tax Increment Revenues	Percent
6667-9022-2204	PARK PLACE TRUST	$1,718,433	$33,656	69.97%
6667-9022-2207		$261,200		
6667-9022-2209		$350,000		
6667-9022-2210		$1,820,000		
6667-9022-2211		$670,000		
6667-9022-2212		$480,000		
6667-9022-2213		$850,000		
6667-9022-2214		$2,550,000		
6667-9022-2215		$60,000		
6667-9022-2216		$100,000		
Subtotal:		$8,859,633	$33,656	69.97%
6667-9022-2203	PARK PLACE HOTEL TRUST	$1,740,066	$6,610	13.74%
6667-9022-2205	PARK PLACE RESIDENTIAL	$1,032,400	$3,922	8.15%
Total:		**$11,632,099**	**$44,188**	**91.87%**

J. LAND USE AMMENDMENTS

The developer reports that as of December 31, 2006, there have been no significant amendments to land use entitlements or legal challenges to the construction of the project.

K. CHANGES TO PROJECT AND DEVELOPMENT STATUS

As of December 31, 2006, the developer reported that there were no changes approved by the city relating to the status of development of the project to be constructed from those stated in the Development Agreement, of which the administrator has actual knowledge.

L. DEBT SERVICE COVERAGE

Table VI-3 below shows the debt service coverage and the estimated tax increment revenues for fiscal year 2006-2007.

Table VI-2
Property Ownership

Debt Service:	
Semi-annual interest on January 1, 2007	$649,430
Semi-annual interest on July 1, 2007	$649,430
Principal on July 1, 2007	$0
Total Debt Service	$1,298,860
Base Year Real Property Assessed Value	$3,884,575
Current Year Real Property Assessed Value (As of July 1, 2006)	$12,661,932
Incremental Real Personal Property Assessed Value	$8,777,357
City of Annapolis Ad Valorem Rate (per 100 of AV)	0.53
Anne Arundel County Ad Valorem Rate (per 100 of AV)	0.548
City of Annapolis Estimated TIF Revenues	$46,520
Anne Arundel County Estimated TIF Revenues	$48,100
Total Estimated TIF revenues	$94,620
Special Taxes Levied Fiscal Year 2006-2007	$0
Debt Service Coverage Fiscal Year 2006-2007	7.28%

VII. SIGNIFICANT EVENTS

A. DEVELOPER'S SIGNIFICANT EVENTS

According to the continuing disclosure agreement, developer significant events include the following:

(i) material damage to or destruction of any development or improvements within the development site;

(ii) the exercise of an option to purchase or sell any land within the development site by the developer;

(iii) material default by the developer or any affiliate thereof on any loan with respect to the construction or permanent financing of the development or the project;

(iv) material default by the developer or any affiliate thereof on any loan secured by property within the development site owned by the developer or any affiliate of the developer;

(v) payment default by the developer or any affiliate thereof on any loan to such party (whether or not such loan is secured by the property within the development site);

(vi) the filing by or against the developer or any affiliate thereof, the general partner of the developer or any owners of more than 25% 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

(vii) the filing of any lawsuit with claim for damages in excess of $1,000,000 against the developer which may adversely affect the completion of the development, the project or the sale or development of the development site or litigation in excess of $1,000,000 which would materially adversely affect the financial condition of the developer.

Inquiries have been made with JBJ/Carlyle Park Place, Limited Partnership, regarding the occurrence of any significant event and they have reported that no significant events have occurred as of December 31, 2006.

B. 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 bonds;

(ii) occurrence of any material default under the indenture (other than described in clause (i) above);

(iii) draws on the reserve fund;

(iv) substitution of a credit provider for cash deposits in the reserve fund, or their failure to perform;

(v) adverse tax opinions or events affecting the tax exempt status of the bonds;

(vi) amendment to the indenture modifying the rights of the bondholders;

(vii) giving of notice of optional or unscheduled redemption of bonds;

(viii) defeasance of bonds or any portion thereof;

(ix) the release or substitution of property securing repayment of the bonds;

(x) any change in the rating, if any, on the bonds;

(xi) 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.

The administrator is not aware of the occurrence of any listed event as of the date of this report (April 20, 2007).