ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

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

Prepared by:

MuniCap, Inc.

August 31, 2009

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. *UPDATED INFORMATION*

Information updated as of December 31, 2008 is as follows. Information provided herein is as of December 31, 2008 unless otherwise stated:

- As of December 31, 2008, the developer, JBJ/Carlyle Park Place, Limited Partnership, reports that the underground parking garage was complete and fully functional.

- As of December 31, 2008, the developer reports that Phase I of the development, including the mixed-use garage, 208 condominium units, the condominium garage, and the hotel and retail space was complete. The developer also reports that Office Building II in Phase II of the development was completed in August 2008. The developer reports that the estimated completion date for the auditorium is undetermined at this time.

- As of December 31, 2008, the developer reports that office space totaling 111,045 square feet, which represents 85.4 percent of the total leaseable space in Office Building I, has been leased to the following tenants: Sensorcom, Merrill Lynch, PharmAthene, BOMI, Wrightwood Capital, Towne Park, Bignell Watkins, Norden, ViaGlobal, Wood MacKenzie, and Silverton Bank.

- As of December 31, 2008, the developer reports that Phase I retail space totaling 25,104 square feet, which represents 91 percent of the total leaseable retail space, has been leased to the following tenants: Carapaccio with expansion, Saucy, Ciaobella, Starbucks, Veruna (Aveda), Papery, Fado, Vizions Art Gallery, and Park Place Hotel Trust. The developer reports that marketing efforts to potential tenants are continuing the remaining leaseable retail space of 2,469 square feet.

- As of December 31, 2008, the developer reports that office space totaling 50,579 square feet, which represents 56.8 percent of the total leaseable space in Phase II Office Building, was owner occupied. The developer reports that marketing efforts to potential tenants are continuing for the remaining Phase II Office Building leaseable space of 28,294 square feet.

- As of December 31, 2008, the developer reports that letters of intent were under negotiation with two tenants for 9,500 square feet of the Phase II leasable retail space. The developer also reports that marketing efforts to potential retail tenants were continuing for the remaining Phase II leaseable retail space of 28,294 square feet.

- As of December 31, 2008, the developer reports that Phase II retail space totaling 2,850 square feet, which represents 18.4 percent of the total leaseable retail space of 88,973 square feet of office space, has been leased to the following tenants: Petra Winkler, LLC and LeeLee, LLC. The developer reports that marketing efforts to potential tenants are continuing the remaining leaseable retail space of 12,670 square feet.

- As of December 31, 2008, the developer reports that 136 of the 208 residential condominium units have been sold and 134 of the 208 residential condominium units have closed with homebuyers.

- According to the City of Annapolis, the ad valorem tax rate for taxable real property within the city limits was 0.53 per $100 of assessed value fiscal year 2008-2009, which remained the same as fiscal year 2007-2008.

- According to Anne Arundel County, the ad valorem tax rate for taxable real property

within the City of Annapolis has decreased from 0.531 in fiscal year 2007-2008 to 0.53 per $100 of assessed value in fiscal year 2008-2009.

- According to Anne Arundel County, as of July 1, 2008, the phased-in assessed value of the taxable property within the tax increment district was $217,317,526. According to Anne Arundel County, the base year assessed value of the real property in the tax increment district was $6,330,961. As a result, for fiscal year 2008-2009, the incremental assessed value of property within the district is $210,986,565.

- According to Anne Arundel County, tax increment revenues for fiscal year 2008-2009 were $1,118,229. The county also reports that, as of July 1, 2009, $1,117,781 in tax increments revenues have been collected from the property owners within the development site, representing 99.9 percent of the tax increment revenues due.

- According to the City of Annapolis, tax increment revenues for fiscal year 2008-2009 were $1,118,229. The city also reports that, as of July 1, 2009, $1,117,781 in tax increments revenues have been collected from the property owners within the development site, representing 99.9 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.

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 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 PARKING GARAGE CONSTRUCTION

According to the developer, JBJ/Carlyle Park Place, Limited Partnership the parking garage structure was complete and is fully functional.

C. STATUS OF VERTICAL CONSTRUCTION

As of December 31, 2008, 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 was complete.

The developer also reports that Office Building II in Phase II of the development was completed in August 2008. The developer reports that the estimated completion date for the auditorium is undetermined at this time.

Table III-1 in the following shows the phases of construction and the estimated completion date by development type, as reported by the developer as of December 31, 2008.

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	160,591 square feet	Completed - July 2007
Mixed-Use Garage	1,114 spaces	Completed - July 2007
Condominium	208 units	Completed - June 2007
Condo Garage	405 spaces	Completed - June 2007
Hotel	225 rooms	Completed - July 2007
Retail	8,100 square feet	Completed - August 2007
Phase II		
Office Building II	112,761 square feet	Completed - August 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 of 2006. As of December 31, 2008, the developer reports that construction of Office Buildings I and II was complete. The developer reports that building permits for 208 residential condominiums units were issued on May 19, 2005. As of December 31, 2008, the developer reports that construction is 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, 2008, the developer reports that construction is complete on the hotel and retail space.

(i.) Leasing Status

Table III-2 below provides a list of those entities that are reported as tenants in the Park Place Project. As of December 31, 2008, the developer reports that office space totaling 111,045 square feet, which represents 85.4 percent of the total leaseable space in Office Building I, has been leased to the following tenants: Sensorcom, Merrill Lynch, PharmAthene, BOMI, Wrightwood Capital, Towne Park, Bignell Watkins, Norden, ViaGlobal, Wood MacKenzie, and Silverton Bank. The developer reports that marketing efforts to potential tenants are continuing for the remaining Office Building I leaseable space of 19,016 square feet.

As of December 31, 2008, the developer reports that Phase I retail space totaling 25,104 square feet, which represents 91 percent of the total leaseable retail space, has been leased to the following tenants: Carapaccio with expansion, Saucy, Ciaobella, Starbucks, Veruna (Aveda), Papery, Fado, Vizions Art Gallery, and Park Place Hotel Trust. The developer reports that marketing efforts to potential tenants are continuing the remaining leaseable retail space of 2,469 square feet.

The developer also 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%
	PharmAthene	10,144	7.8%
	BOMI	11,855	9.1%
	Wrightwood Capital	2,200	1.7%
	Jerome J. Parks Co.	7,058	5.4%
	Towne Park	12,270	9.4%
	Bignell Watkins	15,000	11.5%
	Norden	3,784	2.9%
	ViaGlobal	6,015	4.6%
	Merrill Lynch	3,350	2.6%
	Wood MacKenzie	8,732	6.7%
	Silverton Bank	2,569	2.0%
Subtotal Office		111,045	85.4%
Leases out for Signature - Office		0	0.0%
Negotiating Letter of Intent - Office		0	0.0%
Remaining Leaseable Office Space		19,016	14.6%
Total Office		130,061	100.0%
Signed Leases – Retail			
	Carpaccio	4,128	15.0%
	Saucy	750	2.7%
	Ciaobella	778	2.8%
	Starbucks	1,554	5.6%
	Veruna (Aveda)	4,000	14.5%
	Papery	2,600	9.4%
	Fado	5,509	20.0%
	Carpaccio Expansion	905	3.3%
	Vizions Art Gallery	2080	7.5%
	Park Place Hotel Trust	2,800	10.2%
Subtotal Retail		25,104	91.0%
Remaining Leaseable Retail Space		2,469	9.0%
Total Retail		27,573	100.0%
Total Phase I		**157,634**	**100.0%**

Table III-3 below provides a list of those entities that are reported as tenants in the Park Place Project Phase II. As of December 31, 2008, the developer reports that office space totaling 50,579 square

feet, which represents 56.8 percent of the total leaseable space in Phase II Office Building, was owner occupied. The developer reports that marketing efforts to potential tenants are continuing for the remaining Phase II Office Building leaseable space of 28,294 square feet.

As of December 31, 2008, the developer reports that Phase II retail space totaling 2,850 square feet, which represents 18.4 percent of the total leaseable retail space, has been leased to the following tenants: Petra Winkler, LLC and LeeLee, LLC.. The developer reports that marketing efforts to potential tenants are continuing the remaining leaseable retail space of 12,670 square feet.

Table III-3
Status of Leasing

Status of Negotiations	Tenant	Square Footage	Percent
Phase II			
Signed Leases - Office			
	Owner Occupancy	50,579	56.8%
Subtotal		50,579	56.8%
Leases out for Signature - Office		0	0.0%
Negotiating Letter of Intent - Office			
	Tenant A	7,500	8.4%
	Tenant B	2,000	2.2%
Subtotal		9,500	10.6%
Remaining Leaseable Office Space		28,294	31.8%
Total Office		88,373	100.0%
Signed Leases - Retail			
	Petra Wrinkler LLC	1,005	6.5%
	LeeLee LLC (Ezra Lael)	1,845	11.9%
Subtotal Retail		2,850	18.4%
Remaining Leaseable Retail Space		12,670	81.6%
Total Retail		15,520	100.0%
Total Phase II		**157,634**	**100.0%**

(ii.) Status of Residential Condominium Sales

As shown in Table III-4 below, as of December 31, 2008, the developer reports that 136 of the 208 residential condominium units have been sold and 134 of the 208 residential condominium units have closed with homebuyers.

Table III-4
Status of Condominium Sales

Phase	Number of Planned Residential Condominium Units	Residential Condominium Units Completed	Residential Condominium Units Sold	Residential Condominium Units Closed
Phase I	208	208	136	134
Total	**208**	**208**	**136**	**134**

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, 2008, bond proceeds in the total amount of $18,603,428, which represents 100 percent of the budget, were spent for costs related to the public improvements. Table III-5 below shows the budget and spending details for the public improvements as of December 31, 2008.

Table III-5
Status of Public Improvements

Public Improvement	Original Budget	Budget Changes	Revised Budget	Work Completed	Percent Completed
Direct Garage Construction Costs	$11,922,908	$891,937	$12,814,845	$12,814,845	100%
Outside Sitework	$1,036,053	($365,643)	$670,410	$670,890	100%
Architects Fees	$476,301	$90,555	$566,856	$563,334	99%
Engineers Fees	$112,856	$298,582	$411,438	$411,438	100%
Development Costs	$211,958	$145,289	$357,247	$357,761	100%
General Conditions	$824,406	$253,432	$1,077,838	$1,077,838	100%
General Contractor Fee	$1,010,926	($155,262)	$855,664	$855,664	100%
Contingency	$492,500	($423,059)	$69,441	$71,964	104%
allowance for Sales Taxes	$93,157	($84,119)	$9,038	$9,038	100%
Land	$1,770,652	$0	$1,770,652	$1,770,652	100%
Developer Fee	$520,351	($520,351)	$0	$0	0%
Contract Price Adj. for soil Disposal	$131,361	($131,361)	$0	$0	0%
Total	**$18,603,428**	**$0**	**$18,603,428**	**$18,603,428**	**100%**

IV. *TRUSTEE ACCOUNTS*

The trustee for the Series 2005 A and B Bonds is Manufacturers and Traders Trust Company. The account balances as of December 31, 2007, interest paid, disbursements, additional proceeds, and account balances for each fund, as of December 31, 2008, are shown in the table below.

Table IV-1
Fund Balances

	Balance 12/31/07	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/08
Project Fund	$457,649	$8,882	$0	$228,460	$238,071
Reserve Fund	$2,354,113	$55,083	$0	$130,654	$2,278,542
Debt Service Account	$532,703	$1,004	$1,579,335	$1,297,133	$815,910
Admin Expenses Fund	$5,029	$2,144	$228,460	$42,601	$193,032
Total	**$3,349,494**	**$67,113**	**$1,807,795**	**$1,698,848**	**$3,525,555**

- Additional proceeds to the Debt Service Account were transfers of tax increments and Reserve Fund investment income to pay debt service.
- Additional proceeds to the Administrative Expense Fund represent transfer of funds from the Project Fund per the instruction of the City to pay administrative expenses.
- Disbursements from the Reserve Fund were transfers of investment income to the Capitalized Debt Service Account to pay debt service on the Series 2005 A and B Bonds.
- Disbursements from the Administrative Expense Fund were payments for administrative expenses.

The interest paid through December 31, 2008 does not include interest accrued but not yet paid. Table IV-2 below shows the approximate rate of return on the investments of the bond proceeds. Most of the bond proceeds were invested in U.S. Treasury Money Market Accounts earning approximately 1.21 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		1.51%
Reserve Fund		1.51%
Debt Service Account		0.21%
Admin. Expense Fund		1.51%

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 2008-2009.

(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 2008-2009. Available incremental tax revenues and other available credits will be sufficient to pay debt service on the bonds and administrative expenses for fiscal year 2008-2009. Accordingly, the maximum aggregate special tax requirement for fiscal year 2008-2009 is zero. Each of these numbers is explained in the following sections.

Debt Service

Debt service includes semi-annual interest payments of $494,474 on the Series 2005A Bonds and $152,000 on the Series 2005B Bonds due on January 1, 2009 and July 1, 2009. These payments equal interest for six months on the outstanding Series 2005A Bonds of $18,485,000 earning 5.35 percent and interest for six months on the outstanding Series 2005B Bonds of $6,400,000 earning 4.75 percent, respectively. There is a principal payment of $149,000 on the bonds on July 1, 2009. As a result, total debt service is equal to $1,441,948.

Administrative Expenses

Administrative expenses are estimated to be $20,000.00 for fiscal year 2008-2009. There are no remarketing, credit enhancement, bond insurance or liquidity facility fees expected to be paid during fiscal year 2008-2009. As a result, total administrative expenses for fiscal year 2007-2008 are estimated to be $20,000.00.

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

Debt Service:	
Semi-annual interest on January 1, 2009	$646,474
Semi-annual interest on July 1, 2009	$646,474
Principal on July 1, 2009	$149,000
Total Debt Service	$1,441,948
Administrative Expenses	$20,000
Subtotal Expenses:	$1,461,948
Garage Net Operating Income	$0
Available Capitalized Interest Account	$0
Available Reserve Fund Interest Income on June 30, 2008	($12,373)
Reserve Fund Interest Income	($41,541)
Estimated TIF Revenues FY08-09:	
TIF Revenues to be Collected by the City for FY08-09	($1,118,229)
TIF Revenues to be Collected by the County for FY08-09	($1,118,229)
Excess Special Tax Revenues	$0
Subtotal Available Funds:	($2,290,372)
Maximum Aggregate Special Tax Requirement	$0

Garage Net Operating Income

Construction of the parking garage was not completed at the time the FY08-09 annual assessments were calculated. As a result, there are no net parking garage operating revenues available to apply to the maximum aggregate special tax requirement for fiscal year 2008-2009.

Reserve Fund Interest Income

As of June 30, 2008, the balance in the Series A and B Reserve Fund was $2,270,033.26, which includes the original deposit of $2,257,659.86 and interest earnings of $12,373.40. The interest income currently held in the Reserve Fund will be used to pay debt service on the bonds in fiscal year 2008-2009. Bond proceeds in the amount of $2,257,659.86 are invested in a US Government Money Market Fund currently earning 1.84 percent per annum. At the current yield on the reserve requirement, an estimated $41,540.94 in interest income will be earned on the Series A and B Reserve Fund through June 30, 2009, which will be made available to apply to the maximum aggregate special tax requirement for fiscal year 2008-2009.

Available Administrative Expenses Fund

As of June 30, 2008, the balance in the Administrative Expense Fund was $216,815.12. Accordingly, $20,000.00 will be made available to apply to the maximum aggregate special tax requirement for fiscal year 2008-2009.

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 2008-2009.

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.

The total land area of the parcels comprising the development district is equal to 10.69 acres, of which, 0.23 acres, comprising a parcel owned by the City of Annapolis, an unavailable amount of acreage, comprising the public parking garage parcel, and .48 acres, 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, 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.

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, 2008 is equal to $217,317,526. The incremental assessed value is, therefore, equal to $210,986,565 ($217,317,526 - $6,330,961 = $210,986,565).

The real property tax rate for the City of Annapolis for fiscal year 2008-2009 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 $1,118,229 and are shown in Table V-4 below.

Table V-4
City Parcel Tax Increment Payments
Fiscal Year 2008-2009

Phase-in Assessed Value @ July 1, 2008	$217,317,526
Less Base Year Assessed Value	($6,330,961)
Incremental assessed value	$210,986,565
Parcel Tax Increment Payments @ 0.53/$100 AV	$1,118,229

The real property tax rate for Anne Arundel County for fiscal year 2008-2009 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 county parcel tax increment payments are estimated to be equal to $1,118,229 and are shown in Table V-5 below. Accordingly, the aggregate estimated tax increment payment is equal to $2,236,458.

Table V-5
County Parcel Tax Increment Payments
Fiscal Year 2008-2009

Phase-in Assessed Value @ July 1, 2008	$217,317,526
Less Base Year Assessed Value	($6,330,961)
Incremental assessed value	$210,986,565
Parcel Tax Increment Payments @ 0.53/$100 AV	$1,118,229

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 2008-2009, 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 $2,236,458 from this amount results in a preliminary special tax requirement for fiscal year 2008-2009 of zero for each parcel.

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, there are no taxed parcels.

B. SPECIAL TAXES LEVIED AND COLLECTED

Special taxes were fully abated through fiscal year 2008-2009. 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 2008-2009 were $1,118,229 as shown in section (A) above. The county reports that, as of July 1, 2009, $1,117,780 in tax increment revenues were collected from the property owners within the tax increment district, representing 99.9 percent of the tax increment revenues due. As a result, the county portion of delinquent fiscal year 2008-2009 taxes were $448.

According to the City of Annapolis, tax increment revenues for fiscal year 2007-2008 were $1,126,683, as shown in section (A) above. The city reports that, as of July 1, 2009, $1,117,780 in tax increment revenues were collected from the property owners within the tax increment district, representing 99.9 percent of the tax increment revenues due. As a result, the city portion of delinquent fiscal year 2008-2009 taxes were $448.

D. COLLECTION EFFORTS

According to the county, delinquent taxes from each parcel in excess of $100 will be collected through tax sale and delinquent from each taxes not exceeding $100 will be added to the subsequent year tax bills.

VI. *DISTRICT FINANCIAL INFORMATION*

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

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

A. FUND BALANCES

The fund balances in all of the funds and accounts provided for in the Indenture of Trust 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 2007-2008 was 0.53 per $100 of assessed value, which remained the same for fiscal year 2008-2009. The real property tax rate for Anne Arundel County for real property located within the City of Annapolis was $0.531 per $100 of assessed value for fiscal year 2007-2008. The real property tax rate for Anne Arundel County for real property located within the City of Annapolis was $0.53 per $100 of assessed value for fiscal year 2008-2009.

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 Anne Arundel County, as of July 1, 2008, the phased-in assessed value of the taxable property within the tax increment district was $218,912,726. According to Anne Arundel County, the base year assessed value of the real property in the tax increment district was $6,330,961. As a result, for fiscal year 2008-2009, the incremental assessed value of property within the district is $212,581,765, 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, 2008	Incremental Assessed Value
Various	$6,330,961	$217,317,526	$210,317,526
Total:	**$6,330,961**	**$217,317,526**	**$210,317,526**

F. DISTRICT SPECIAL TAXES LEVIED

Special taxes were fully abated in fiscal years 2005-2006, 2006-2007 and 2008-2009. 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

Detailed information regarding assessed value appeals for fiscal year 2008-2009 were not available at the time this report was finalized. The appeals information, if any, will be provided in a supplemental disclosure once the information becomes available.

An appeal of special taxes was filed by Jerome J. Parks Companies ("Parks") on behalf of the owners of property subject to special taxes in the Park Place Development District on October 9, 2007. A special tax report was requested by the City of Annapolis by the second week in May 2007 in order to allow time for review of the report and delivery to the city council for its approval in time to forward the request for the collection of special taxes to Anne Arundel County for collection in a timely manner. As provided for by Section B of the Rate and Method, the administrator prepared a special tax report dated May 11, 2007, identifying and explaining the calculation of the special tax levy for each parcel of taxable property within the development district. The maximum special tax requirement for the year was $1,264,858. Tax increment revenues of $89,858 were estimated to be collected based on an aggregate assessed value of $12,220,198 then available from the State Department of Assessments and Taxation ("SDAT") for the taxable parcels in the development district. Accordingly, Fiscal year 2007-2008 special taxes in the aggregate amount of $1,175,000 were levied to be collected for the year.

The aggregate assessed value for the taxable parcels in the development district was later revised to $142,351,537, which was expected to generate an estimated$1,443,178 in tax increment revenue that would be sufficient to cover the maximum special tax requirement for the year. As a result, the property owners appealed the special tax levy of $1,175,000 and the city refunded fiscal year 2007-2008 special taxes paid by the property owners in the total amount of $1,175,000 on October 12, 2007.

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, as calculated based on the phased in assessed value of the properties, are shown in Table VI-2 below.

Table VI-2
Property Ownership
As of July 1, 2008

Account Number	Owner	Phased-in Assessed Value as of July 1, 2008	Tax Increment Revenues	Percent
Various	Park Place Residential	$114,930,646	$1,182,774	53%
Various	Park Place Trust	$38,383,100	$395,008	18%
6667-9022-2203	Park Place Hotel Trust	$27,763,800	$285,723	13%
6667-9022-2206	Park Place Parking Trust	$7,549,600	$77,694	3%
Various	Others	$28,690,380	$295,258	13%
Total:		**$217,317,526**	**$2,236,458**	**100%**

J. LAND USE AMENDMENTS

The developer reports that as of December 31, 2008, 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, 2008, 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 2008-2009.

Table VI-3
Debt Service Coverage

Debt Service:	
Semi-annual interest on January 1, 2009	$646,474
Semi-annual interest on July 1, 2009	$646,474
Principal on July 1, 2009	$149,000
Total Debt Service	$1,441,948
Base Year Real Property Assessed Value	$6,330,961
Current Year Real Property Assessed Value (As of July 1, 2008)	$217,317,526
Incremental Real Personal Property Assessed Value	$210,986,565
City of Annapolis Ad Valorem Rate (per 100 of AV)	0.53
Anne Arundel County Ad Valorem Rate (per 100 of AV)	0.53
City of Annapolis Estimated TIF Revenues	$1,118,229
Anne Arundel County Estimated TIF Revenues	$1,118,229
Total Estimated TIF revenues	$2,236,458
Special Taxes Levied Fiscal Year 2008-2009	$0
Debt Service Coverage Fiscal Year 2008-2009	155.1%

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, 2008.

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 (August 31, 2009).