

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

*\$5,968,000 Mayor and City Council of Baltimore
(City of Baltimore, Maryland)
Special Obligation Bonds
(Strathdale Manor Project)
Series 2003*

Prepared by:

MUNICAP

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ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

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I. UPDATED INFORMATION

Information updated from the limited offering memorandum (LOM) dated August 11, 2003 is as follows:

- As of December 31, 2008, the Developer reports that \$3,626,873 has been expended for the construction of the public improvements, representing 93 percent of the budgeted amount.
- As of December 31, 2008, the Developer reports 170 out of 170 units have been settled with home buyers.
- The July 1, 2008 assessed value of the development was \$37,161,472 as compared to July 1, 2007 assessed value of \$32,611,046. The assessed value of the development increased by \$4,550,426 from July 1, 2007 to July 1, 2008. This represents a 14 percent increase in assessed value.
- There has been no change to the real property tax rate for fiscal year 2008-2009. The real property tax rate for the City of Baltimore in fiscal year 2008-2009 is \$2.268 per \$100 of assessed value.
- Projected ad valorem property taxes in the amount of \$842,822 were to be levied on the property within the district in fiscal year 2008. The aggregate credits given to property owners in the District for fiscal year 2008-2009 are equal to \$134,719. Accordingly, the ad valorem real property taxes to be collected for fiscal year 2008-2009 are equal to \$708,104.
- According to the City of Baltimore tax records, real property taxes in the amount of \$642,817 out of \$708,104 have been collected in the District. This represents 91 percent of real property taxes due for fiscal year 2008-2009. Collections for the delinquent balance are still ongoing.
- The estimated expenses for fiscal year 2008-2009 are \$475,686. The estimated funds available to pay these expenses are \$635,203, resulting in a special tax requirement of zero.

II. INTRODUCTION

The Mayor and City Council of Baltimore, Special Obligation Bonds (Strathdale Manor Project) Series 2003 (the “2003 Bonds”) were issued pursuant to the provisions of Article II, Section (62) of the Baltimore City Charter (1996 Edition), as amended (the “Tax Increment Act”), and Article II, Section (62A) of the Baltimore City Charter (1996 Edition), as amended (the “Special Taxing District Act”) (the Tax Increment Act and the Special Taxing District Act being collectively referred to as the “Enabling Acts”), and an Indenture of Trust by and between the Mayor and City Council of Baltimore (the “City”) and Manufacturers and Traders Trust Company, as trustee (the “Trustee”), dated as of August 1, 2003 (the “Indenture”) and a limited offering memorandum dated August 11, 2003.

Frankford Estates is a residential development (the “Development”) on an approximately 20.46 acre site (the “Site”) located in eastern Baltimore, Maryland (the “City”) and comprising all of the land located in the district. The development is located on the east side of Frankford Avenue, between Sinclair Lane and Moravia Park Drive and Interstate 895.

The project was developed by Frankford Neighborhood LLC (the “Developer”), a Maryland limited liability company that is composed of two members. One member is SRH Strathdale LLC (“SRH”), a Maryland limited liability company. The other member is and RHL/Strathdale, LLC (“RHL”), also a Maryland limited liability company.

At the time of bond issuance, the site was vacant and zoned for residential development. Development plans included 170 residential units, comprised of 67 single-family homes, 54 three level semi-detached homes (duplexes), and 49 three-level townhomes. In addition, the Development was expected to feature various amenities including an approximately 2,600 square foot community center and a swimming pool. Frankford Estates was designed with neo-traditional characteristics such as sidewalks in front of the homes, porches, alleyways, and rear parking pads and garages.

According to the Limited Offering Memorandum, special tax bonds in the amount of \$5,968,000 (Series 2003) were sold in August 2003. Bond proceeds in the amount of \$3,900,000 were used to construct public improvements consisting of the construction and renovation of roads and alleys, including paving and the installation of curbs, gutters, and sidewalks; the installation of water mains; sanitary sewer facilities; storm drainage systems; and the acquisition, construction, renovation and development of other related public infrastructure improvements necessary for the completion of these infrastructure improvements for their intended public purposes.

Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is not required for the Series 2003 bonds. However, the administrator has agreed to provide an annual report. This report is provided pursuant to this agreement. The annual development activity and disclosure report is being provided pursuant to continuing disclosure agreement between MuniCap, the Mayor and City Council of Baltimore, and Manufacturers and Traders Trust Company. This report is not provided pursuant to Rule 15c2-12.

The information provided herein is not intended to supplement or otherwise relate to the information provided in the Limited Offering Memorandum and any such intent is expressly disavowed. Rather, this report responds to the specific requirements of the continuing disclosure agreement.

No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of December 31, 2008, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

Frankford Estates is a redevelopment of a site located within Frankford, one of Baltimore’s largest neighborhoods. This neighborhood was originally developed in the 1950’s and now includes an established mix of owner occupied detached and attached homes, as well as rental apartments. Residents and homeowners of the Frankford neighborhood are primarily working class families. Frankford is approximately three miles from downtown Baltimore and nearby to major employers, including John Hopkins Hospital, the City of Baltimore government, and University of Maryland Hospital. The site is easily accessible to three major interstate roadways (I-95, I-895, and I-695), leading to major employment centers, including White Marsh, Towson, and Columbia.

The developer, Frankford Neighborhood LLC, is a Maryland limited liability company that is composed of two members. One member is SRH Strathdale LLC (“SRH”), a Maryland limited liability company and RHL/Strathdale, LLC (“RHL”), also a Maryland limited liability company. The project includes 170 residential units, comprised of 67 single-family homes, 54 three level semi-detached homes (duplexes), and 49 three-level town homes. In addition, the development features various amenities including an approximately 2,600 square foot community center and swimming pool. Frankford Estates was designed with neo-traditional characteristics such as sidewalks in front of the homes, porches, alleyways, and rear parking pads and garages.

As of December 31, 2008, all 170 building permits have been issued. Table III-1 below shows the unit type, building permits issued and building (living) square footage per unit:

Table III-1
Building Permits Issued

Units Type	Building Permits Issued	Building Square Footage per Unit
Single Family A	60	2,470
Single Family B	8	2,260
Duplex	54	2,004
Townhouse	48	2,033
Total	170	

As of December 31, 2008, all 170 homes in the district have been closed with owners. Table III-2 shows the number of units settled and average sales price by unit type as of December 31, 2008.

Table III-2
Average Sales Price

Unit Type	Units Settled	Average Sales Price
Single Family A	60	\$300,608
Single Family B	8	\$278,957
Duplex	54	\$223,861
Townhouse	48	\$177,719
Total	170	

B. PUBLIC IMPROVEMENTS

As of December 31, 2008, the developer reports that \$3,626,873 has been expended for the construction of the public improvements, representing 93 percent of the budgeted amount. The developer also reports that the construction of public improvements is complete. Table III-3 below shows the district proceeds by line item funded as of December 31, 2008:

Table III-3
Public Improvement Budget

Public Improvement	Original Budget	Previous Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Demolition	\$150,000	\$151,000	\$0	\$151,000	\$151,000	100.0%
Dev. Agreement Permit Fees	\$297,000	\$297,000	\$0	\$297,000	\$252,262	84.9%
Land Planning and Engineering	\$225,150	\$341,155	\$0	\$341,155	\$338,271	99.2%
Site Infrastructure						
Stakeout	\$75,000	\$97,270	\$0	\$97,270	\$97,270	100.0%
Traffic Maintenance	\$75,000	\$41,485	\$0	\$41,485	\$41,485	100.0%
Rough Grading	\$530,000	\$490,000	\$0	\$490,000	\$490,000	100.0%
Fine Grading	\$120,000	\$200,595	\$0	\$200,595	\$200,595	100.0%
Sediment Control	\$253,100	\$211,000	\$0	\$211,000	\$211,000	100.0%
Storm Drainage	\$420,500	\$537,655	\$0	\$537,655	\$537,655	100.0%
Sanitary Sewer	\$419,100	\$374,000	\$0	\$374,000	\$374,000	100.0%
Water	\$495,100	\$514,400	\$0	\$514,400	\$514,400	100.0%
Sawcut Paving	\$9,950	\$1,000	\$0	\$1,000	\$1,000	100.0%
Trench Repair	\$36,500	\$0	\$0	\$0	-	-
Alleys	\$372,000	\$212,550	\$0	\$212,550	\$212,550	100.0%
Curb and Gutter	\$153,150	\$159,174	\$0	\$159,174	\$159,174	100.0%
Walks and Ramps	\$159,900	\$37,500	\$0	\$37,500	\$37,500	100.0%
Paving	\$355,500	\$422,427	\$0	\$422,427	\$422,427	100.0%
Pavement Repairs	\$90,000	\$20,000	\$0	\$20,000	\$20,000	100.0%
Street Light Conduit	\$32,000	\$583,350	\$0	\$583,350	\$583,350	100.0%
Street Lights	\$111,800	\$328,000	\$0	\$328,000	\$328,000	100.0%
Public Trees	\$61,000	\$61,000	\$0	\$61,000	\$61,000	100.0%
Seeding	\$110,000	\$110,000	\$0	\$110,000	\$110,000	100.0%
Contingency	\$600,000	\$247,013	\$0	\$247,013	\$243,037	98.4%
Test & Inspections	\$0	\$81,260	\$0	\$81,260	\$49,712	61.2%
General Conditions	\$271,071	\$350,967	\$0	\$350,967	\$350,967	100.0%
Overhead	\$451,786	\$451,786	\$0	\$451,786	\$451,786	100.0%
Payment and Performance Bond	\$57,500	\$57,500	\$0	\$57,500	\$57,500	100.0%
Total Eligible Costs	\$5,932,107	\$6,379,087	\$0	\$6,379,087	\$6,295,941	98.7%
<i>Less: Other Funds</i>	<i>(\$2,032,107)</i>	<i>(\$2,479,087)</i>	<i>\$0</i>	<i>(\$2,479,087)</i>	<i>(\$2,669,063)</i>	
Total Bond Funded Costs	\$3,900,000	\$3,900,000	\$0	\$3,900,000	\$3,626,878	93.00%

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2003 bonds is Manufacturers and Traders Trust Company. The balance at December 31, 2007, subsequent interest paid, disbursements, additional proceeds, and account balances for each fund as of December 31, 2008 are shown by the following table:

**Table IV-1
Account Balances**

Fund	Balance 12/31/07	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/08
Improvement Fund	\$616,455	\$15,052	\$0	\$0	\$631,507
Debt Service	\$183,175	\$418	\$430,180	\$417,760	\$196,013
Reserve Fund	\$623,978	\$12,726	\$12,749	\$38,595	\$610,859
Total	\$1,423,609	\$28,196	\$442,929	\$456,355	\$1,438,379

Additional proceeds to the debt service fund include transfers of tax increment revenues held by the City and interest income from the reserve fund and were applied to debt service on the Series 2003 Bonds.

The interest paid through December 31, 2008 does not include interest accrued but not yet paid. Proceeds in the Reserve Fund are invested in a government money market fund that pays interest of 4.17 percent semi-annually. Proceeds in the Debt Service Fund and Improvement Fund are invested in government money market funds currently earning 0.85 percent. The table below shows the average rate of return on the investments in each fund or account.

Investment income in the reserve fund will be used in the following order of priority: (i) restoration of the reserve fund, if the balance in the fund is at less than the reserve requirement, (ii) in an amount to the City equal to the City expenses for the next fiscal year, plus any City expenses due and payable and (iii) to the debt service fund or the improvement fund, as directed by the authorizing officer. Interest income from the improvement fund and debt service fund will remain in their respective funds and used for the purposes of their respective funds.

**Table IV-2
Average Investment
Rate of Return**

Account	Rate of Return
Improvement Fund	0.85%
Debt Service Fund	0.85%
Reserve Fund	4.17%

V. *DISTRICT OPERATIONS*

A. SPECIAL TAX REQUIREMENT

Special taxes are to be levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax for each parcel such that the total special tax levied is equal to the special tax requirement. The special tax requirement is generally equal to (i.) annual debt service, (ii.) administrative expenses, less (iii.) tax increment revenues, (iv.) proceeds in the capitalized interest account, and (v.) interest income on reserve fund held by the trustee.

Table V-1 provides a summary of the special tax requirement for fiscal year 2008-2009. Tax increment revenues and investment earnings on debt service reserve fund will be sufficient to pay debt service on the bonds and administrative expenses for fiscal year 2008-2009. Accordingly, special taxes will not need to be collected for fiscal year 2008-2009. Each of these numbers is explained in the following sections.

Debt Service

Debt service includes the interest payments due on January 1, 2009 and January 1, 2009. Each semi-annual interest payment is \$208,880.00, which is equal to an annual coupon interest of 7.0% on the outstanding principal balance of \$5,968,000.00. A principal payment of \$11,000.00 is due on July 1, 2009. As a result, total debt service is equal to \$428,760.00.

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

Debt service:	
Interest on January 1, 2009	\$208,880
Interest on January 1, 2009	\$208,880
Principal on January 1, 2009	\$11,000
<i>Sub-total debt service</i>	\$428,760
Administrative expenses	\$20,000
Contingency	\$26,926
<i>Total expenses</i>	\$475,686
Tax increment revenues	(\$609,797)
Reserve fund investment income	(\$25,358)
Surplus from prior year	(\$49)
<i>Funds available to be applied for FY08-09</i>	(\$635,203)
<i>Special Tax Requirement</i>	\$0

Administrative Expenses

Administrative expenses include the trustee, the administrator, and the expenses of the city related to the district. The annual charges of the trustee are estimated to be \$5,000. The fees and expenses of the city and administrator are estimated to be \$5,000 and \$10,000, respectively. Accordingly, the total administrative expenses are estimated at \$20,000.

Contingency

A contingency, equal to approximately six percent of annual debt service has been added in case there

are unanticipated expenses or tax payment delinquencies.

Tax Increment Revenues

The assessed value of taxable property in the tax increment district for the base year was equal to \$0. The assessed value of the taxable property in the district for fiscal year 2008-2009 is equal to \$37,161,472.00. The incremental assessed value is, therefore, equal to \$37,161,472.00.

Table V-2
Tax Increment Revenues
Fiscal Year 2008-2009

Base year assessed value (<i>January 1, 2001</i>)	\$0.00
Phased-in FY2008-2009 Assessed Value	\$37,161,472.00
Incremental assessed value	\$37,161,472.00
Estimated City property tax rate FY2008-2009 (<i>per \$100 of AV</i>)	\$2.268
Estimated tax property increment	\$842,822.18
Home owner credit for FY2008-2009	(\$233,025.65)
Estimated tax increment revenues FY2008-2009	\$609,796.53

The real property tax rate for the City of Baltimore in fiscal year 2007-2008 was \$2.268 per \$100 of assessed value. There has been no change to the city real property tax rate. As a result, the estimated real property tax rate for the City of Baltimore in fiscal year 2008-2009 is \$2.268 per \$100 of assessed value. Accordingly, based on the incremental assessed value in the district and the real property tax rate, the tax increment revenues are estimated to be equal to \$842,822.18.

The city provides a tax credit to the first owners of newly constructed dwellings during each of the first five years in which such property qualifies for the credit. The amount of the credit is initially equal to 50% (declining by 10% in each successive year) of the property tax imposed on the property less the amount of any other credit applicable in the respective year. Qualification for this property tax credit requires the owner of the property to (i) occupy the dwelling as his or her principal residence, (ii) file an application for the credit no later than 90 days after settling on the purchase of the dwelling, (iii) file a state income tax return as a resident of the City and (iv) satisfy any other requirements as may be provided by the City. It is expected that all homeowners buying the new completed units in the District will apply for and receive this tax credit. According to information gathered from the State Department of Assessment and Taxation website, there are two developed homes within the district that would qualify for the first-year tax credit of 50% for fiscal year 2008-2009. An additional thirty-two developed homes within the district would qualify for the second-year tax credit of 40% for fiscal year 2008-2009. An additional seventy-three developed homes within the district would qualify for the third-year tax credit of 30% for fiscal year 2008-2009. Another forty-nine developed homes within the district would qualify for the fourth-year tax credit of 20% for fiscal year 2008-2009. The total tax increment for property within the district is equal to \$842,822.18. The total new construction credit for the 156 eligible homes for fiscal year 2008-2009 is estimated to be equal \$233,025.65. As a result, the tax increment revenue available to be applied to debt service for fiscal year 2008-2009 is \$609,796.53.

Additional credits homeowners may apply for but that do not reduce the tax increment available for debt service include the Homestead Property Tax Credit. Section 9-105 of the Tax-Property Article of the Annotated Code of Maryland, as amended, provides for a homestead property tax credit to be established by the governing body of each county or municipal corporation in the State. The law provides that the credit limits must be set so that no homeowner's taxable assessment may be increased as a result of revaluation by

more than 10 percent over the previous year. Counties and municipalities must establish the homestead property tax credit at a rate from 0 percent to 10 percent. The State law provides that the local governing bodies may change the homestead property tax credit from year to year. The homestead property tax credit limit in the City of Baltimore has been 4% since fiscal year 1992.

Reserve Fund Income

As of June 30, 2008, the balance in the reserve fund was \$598,109.53, which includes the reserve requirement of \$598,062.01 and \$47.52 in investment income. Bond proceeds in the reserve fund are invested Societe Generale Guarantee Investment Contract (GIC) that is earning 4.24 percent per annum (paid semi-annually in June and December) and maturing on July 1, 2033. The yield on the reserve fund requirement of \$598,062.01 will result in an annual investment income of \$25,357.83 on the reserve fund, which will be available to pay debt service for fiscal year 2008-2009.

Surplus from Prior Year

Table V-3 below outlines the surplus from the prior year that may be applied to pay debt service and administrative expenses for fiscal year 2008-2009. The projected tax increment revenues for the fiscal year 2007-2008 were \$470,768.54 and an additional \$25,366.00 in reserve fund interest income. Tax increment revenues and special tax revenues are deposited into the tax increment fund and special tax fund, respectively. These two funds are held in trust by the city for the benefit of bondholders. According to the trust indenture, on each February 1 and August 1 (with respect to payments of principal of and interest on the Bonds on the immediately succeeding Interest Payment Date) and on any date required for the payment of any other obligations relating to the Development District and the Special Taxing District, the city shall withdraw, first from the tax increment fund and, then, to the extent amounts in the tax increment fund are insufficient therefore, from the special tax fund. Tax increment revenues remaining in the tax increment fund after all the necessary withdraws and transfers have been made, may be withdrawn and transferred by the city, free and clear of lien.

As of June 30, 2008, the city had transferred to the trustee \$378,445.67 in tax increment revenues to cater for interest payments that were due on January 1, 2008 and July 1, 2008. The balance of tax increment revenues collected in the fiscal year 2007-2008 in the amount of \$92,322.87 ($\$470,768.54 - \$378,445.67 = \$92,322.87$) was retained by the city to cover the balance of 2007-2008 administrative expenses as well as reimburse the city for administrative expenses, which have previously been paid. As mentioned above, tax increment revenues remaining in the tax increment fund after all the necessary withdraws and transfers have been made, may be withdrawn and transferred by the city, free and clear of lien.

The balance in the debt service fund as of June 30, 2008 was 208,930.78. As mentioned above, there is \$47.52 in investment income in the reserve fund. As a result, the total funds available is equal to \$208,929.12. These funds will be made available to pay debt service due on the bonds on July 1, 2008 in the amount of \$208,880.00. Accordingly, \$49.12 in surplus funds from the prior year will be made available to pay debt service for fiscal year 2008-2009 as shown in Table V-3 on the following page.

**Table V-3
Surplus from Prior Year**

	Series 2003
Debt service fund balance June 30, 2008	\$208,881.60
Reserve fund interest income due July 1, 2008	\$47.52
<i>Sub-total available funds</i>	\$208,929.12
Interest on July 1, 2008	(\$208,880.00)
<i>Surplus from prior year</i>	\$49.12

B. LEVY OF SPECIAL TAX

For fiscal year 2008-2009, special taxes are to be levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax for each parcel such that the total special tax levied is equal to the special tax requirement, as explained above.

Maximum Special Tax

According to the Rate and Method of Apportionment of Special Taxes, the maximum special tax for fiscal year 2008-2009 is equal to \$507,877.17. The maximum special tax for each parcel is equal to the Building Square Footage of the units built or expected to be built on a Parcel divided by the Building Square Footage estimated for all Parcels in the District and the result multiplied by the Maximum Special Tax. Building square footage refers to the actual, or for unit not yet built, the estimated livable building area as shown on the building permit, architectural plans or other available documents. There are currently 170 parcels in the District, in which homes may be built. According to architectural plans provided by the developer, there are four different types of homes being developed in the district as listed in the table below. The unit type and the number of units per each type of home, the livable building square footage for each type of unit as provided by the developer and the maximum special tax for each unit type (parcel) is shown on the table below.

**Table V-4
Maximum Special Tax**

Home Type	Number of Units	Livable Building SF	Livable Building SF	Maximum Special Tax/ Unit type	Maximum Special Tax/ Unit
Townhouse	47	1,324	62,228	\$124,190.24	\$2,642.35
Duplex	54	1,342	72,468	\$144,626.51	\$2,678.27
Single Family B	8	1,477	11,816	\$23,581.54	\$2,947.69
Single Family A	61	1,770	107,970	\$215,478.89	\$3,532.44
	170		254,482	\$507,877.17	

Adjusted Maximum Special Tax

The adjusted maximum special tax for each parcel shall be equal to the lesser of (but not less zero) the Maximum Special Tax for the parcel and the amount calculated by the following formula:

$$A = [(B \div C) \times D] - E$$

Where the terms have the following meaning:

- A = The Adjusted Special Tax for a Parcel
- B = The Special Tax Requirement plus Tax Increment Revenues available to apply to the Special Tax Requirement
- C = The total of the Maximum Special Tax for all of the Parcels in the District
- D = The Maximum Special Tax for the Parcel for which the Adjusted Maximum Special Tax is being calculated
- E = The Special Tax Credit for the Parcel

The special tax credit for any parcel is equal to the tax increment revenues collected from the parcel for that fiscal year. For purposes of calculating the tax increment revenues for each parcel, the base year value shall be allocated to each Parcel on the basis of assessed value of each parcel. The special tax credit applied to the maximum special tax for all parcels shall not exceed the tax increment revenues applied to the special tax requirement for that year. The special tax credit and adjusted maximum special tax for each parcel is shown in Appendix B attached hereto.

Special Tax Collected

Special taxes shall be levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax such that the total is equal to the special tax requirement. For fiscal year 2008-2009, the special tax requirement is equal to zero. As a result, special taxes will not be collected at the adjusted maximum special tax.

Special Tax Rates

As stated earlier in this report, special taxes are levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax for each parcel such that the total special tax levied is equal to the special tax requirement. The total expenses of the district for fiscal year 2008-2009 are estimated to be equal to \$475,685.60. Tax increment revenues and interest income and available to pay expenses are estimated to be \$636,827.09. Accordingly, the special tax requirement is zero.

C. DELIQUENT SPECIAL TAXES

The special tax requirement for fiscal year 2008-2009 is zero. Accordingly, there are no delinquent special taxes outstanding at this time.

D. COLLECTION EFFORTS

There are no collection efforts underway at this time.

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 is included in Table IV-1 of Section IV, "Account Balances," 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 by the City since the last report.

C. CHANGES IN THE AD VALOREM TAX RATES

There has been no change to the real property tax rate for fiscal year 2008-2009. The real property tax rate for the City of Baltimore in fiscal year 2008-2009 is \$2.268 per \$100 of assessed value.

D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

The July 1, 2008 assessed value of the development was \$37,161,472 as compared to July 1, 2007 assessed value of \$32,611,046. The assessed value of the development increased by \$4,550,426 from July 1, 2007 to July 1, 2008. This represents an increase of 14 percent in assessed value.

E. SPECIAL TAXES LEVIED

There has been no levy of special taxes within the District.

F. AD VALOREM AND SPECIAL TAXES COLLECTED

As stated earlier in this report, special taxes are levied proportionately on each parcel of taxable property in an amount up to the adjusted maximum special tax for each parcel such that the total special tax levied is equal to the special tax requirement. Tax increment revenues and investment earnings on debt service reserve fund will be sufficient to pay debt service on the bonds and administrative expenses for fiscal year 2008-2009. Accordingly, special taxes will not need to be collected for fiscal year 2008-2009.

Projected ad valorem property taxes in the amount of \$842,822 were to be levied on the property within the district in fiscal year 2008. The aggregate credits given to property owners in the District for fiscal year 2008-2009 is equal to \$134,719. Accordingly, the ad valorem real property taxes to be collected for fiscal year 2008-2009 is equal to \$708,104. According to the City of Baltimore tax records, real property taxes in the amount of \$642,817 has been collected in the District. This represents 91 percent of real property taxes due for fiscal year 2008-2009. Table VI-1 on the following page shows the taxes levied, credits and property taxes paid.

Table VI-1
Collected Ad Valorem Taxes

Owner	FY08 Levied Property Taxes	Newly Constructed Unit Credit	Property Taxes Due	Property Taxes Collected	Percentage of Collected
Private Owners	\$842,815	(\$134,719)	\$708,097	\$642,817	91%
Frankford Estates Homeowners Association, Inc.	\$7	\$0.00	\$7	\$0.00	0%
Total	\$842,822	(\$134,719)	\$708,104	\$642,817	91%

According to the City of Baltimore, Frankford Neighborhood LLC is responsible for \$7 in real property taxes in the district for 2008-2009. This property is owned under the name Frankford Estates Homeowners Association, Inc. and its primary purpose is homeowner's association property.

At this time, the City has issued delinquency notices for all unpaid property taxes. Tax sale notices will be mailed on April 1st for all delinquent properties and property owners have up to May 1st to make payments. Failure to make payment by May 1st will result in the property being sold at tax sale, which will be held on May 18, 2009.

G. PRINCIPAL DISTRICT TAXPAYERS

Based on the City of Baltimore's records, Frankford Neighborhood LLC was responsible for 21 percent of the total ad valorem real property tax levy within the district for fiscal year 2007-2008. As of December 31, 2008, individual property owners represent approximately 100 percent of the total ad valorem real property tax levy within the district. Table VI-1 below shows the owner, assessed value, tax rate, ad valorem taxes and percent of ad valorem taxes.

Table VI-1
Property Ownership

Owner	2008 Assessed Value	Tax Rate	2008 Ad Valorem Taxes	2008 Percent
Individuals	\$37,161,172	\$2.268	\$842,815	100%
Frankford Estates Homeowners Association, Inc.	\$300	\$2.268	\$7	0%
Total	\$37,161,472		\$842,822	100%

H. LAND USE AMENDMENTS

The Developer reports that as of December 31, 2008, no amendments to land use entitlements or legal challenges to the construction of the project have been made. As the project is complete, no future amendments to entitlements are anticipated.

I. CHANGES TO THE DEVELOPMENT

The Developer reports that as of December 31, 2008, there have been no changes to the plan of development presented to Baltimore City. The project is complete and thus, no future changes are anticipated.

J. DEBT SERVICE SCHEDULE

Table VI-2 below shows the debt service coverage for the Series 2003 Bonds.

Table VI-2
Debt Service Coverage

Account/Type	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Debt Service: (Bond Year Ending July 1)		
Principal	\$0	\$11,000
Interest	\$417,760	\$417,760
Sub-total debt service	\$417,760	\$428,760
Base Year Assessed Value (January 1, 2001)	\$0	\$0
Phased-in Assessed Value	\$32,611,046	\$37,161,472
Increase in Assessed Value	\$32,611,046	\$37,161,472
City Tax Rate	\$2.268	\$2.268
Tax Property Increment	\$739,619	\$842,822
Less: Home Owner Credit	(\$284,132)	(\$233,026)
Estimated Tax Increment Revenues	\$455,486	\$609,797
Debt Service Coverage	109.03%	142.22%
Special Tax Levied	\$0	\$0
Debt Service Coverage	0.00%	0.00%
Maximum Special Tax Rate	\$1.53	\$1.37
Maximum Special Tax	\$497,919	\$507,877
Debt Service Coverage	119.19%	118.45%
<p>Note: Special taxes may only be levied to the extent necessary to pay debt service after taking into account tax increment revenues.</p>		

VII. SIGNIFICANT EVENTS

A. DEVELOPER SIGNIFICANT EVENTS

Pursuant to the Continuing Disclosure Agreement, developer significant events include the following:

- (i.) Failure to pay any real property taxes (including special taxes) levied within the district on a parcel owned by the developer or any affiliate thereof;
- (ii.) Material damage to or material destruction of any development or improvements within the district owned by the developer;
- (iii.) The filing by or against the developer or any affiliate thereof, or any member of developer or any owners of more than 25 percent 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
- (iv.) The filing of any lawsuit with claim for damage in excess of \$1,000,000 against the developer which may adversely affect the completion of the development or the construction of the project or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the developer or affiliate of the developer who owns property in the district.

Inquiries have been made with the developer 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, the city 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 as described in clause (i) above);
- (iii) Amendment to the Indenture modifying the rights of the bondholders;
- (iv) Giving notice of optional or unscheduled redemption of bonds;
- (v) Defeasance of bonds or any portion thereof;
- (vi) Any change in the rating, if any, on the bonds;
- (vii) Adverse tax opinions or events affecting the tax-exempt status of the bonds;
- (viii) The release or substitution of property securing repayment of the bonds; or
- (ix) 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.

To the knowledge of the administrator, no listed events have occurred as of April 24, 2009.