

\$7,877,000
MAYOR AND CITY COUNCIL OF BALTIMORE
(CITY OF BALTIMORE, MARYLAND)
SPECIAL OBLIGATION BONDS
(CLIPPER MILL PROJECT)
SERIES 2004

DEVELOPER'S CONTINUING DISCLOSURE STATEMENT
4th QUARTER 2007
Submitted - February 8, 2008

Statement # 11

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

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement") by and between the undersigned, Clipper Redevelopment Company, LLC (the "Developer") and MuniCap, Inc. (the "Administrator") dated as of April 1, 2004, the Developer hereby provides the following information as of March 31, 2005. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Indenture or in the Funding Agreement dated as of February 11, 2004. To the best of the knowledge of the undersigned:

1) Status of Construction and Completion of the Clipper Mill:

- a) 1st Quarter Update: No update.
- b) 2nd Quarter Update: No update.

| Public Improvement | Original Budget | Budget Changes | Revised Budget | Spent to Date | % Complete |
|-----------------------------|------------------------|-----------------------|-----------------------|----------------------|-------------------|
| Acquisition | \$354,000 | \$0.00 | \$354,000 | \$261,117 | 74% |
| Roads | \$2,729,526 | \$0.00 | \$2,729,526 | \$2,721,733 | 99.7% |
| Utilities | \$2,233,249 | \$0.00 | \$2,233,249 | \$2,226,872 | 99.7% |
| Design & consulting | \$219,591 | \$0.00 | \$219,591 | \$162,468 | 73% |
| City Inspection fees | \$250,108 | \$0.00 | \$250,108 | \$250,108 | 100% |
| Payment & Performance bond | \$30,381 | \$0.00 | \$30,381 | \$30,381 | 100% |
| Contingency | \$330,842 | \$87,916.00 | \$418,758 | \$418,758 | 100.00% |
| Development mgt Fee | \$307,385 | \$0.00 | \$307,385 | \$0.00 | 0% |
| Total Eligible Costs | \$6,455,082 | \$87,916.00 | \$6,542,998 | \$6,128,560 | 94% |
| <i>Less Other Funds</i> | <i>(\$955,082)</i> | <i>(\$87,916.00)</i> | <i>(\$1,042,998)</i> | <i>(\$628,560)</i> | 65.8% |

| | | | | | |
|--------------------------------|-------------|--------|-------------|-------------|-----|
| Total Bond Funded Costs | \$5,500,000 | \$0.00 | \$5,500,000 | \$5,470,000 | 99% |
|--------------------------------|-------------|--------|-------------|-------------|-----|

2) Status of Development:

a) Changes in Ownership:

| Parcel | Seller | Buyer | Buyer Affiliated to Developer | Average Sales Price |
|---|-------------------------------------|------------------------|-------------------------------|---------------------|
| 1 through 36 | Clipper Redevelopment Company, LLC. | Clipper For Sale, LLC. | Yes | \$0.00 |
| <p>Notes: <u>4th Quarter Update: No changes to ownership.</u> <u>3rd Quarter Update: No changes to ownership.</u> 2nd Quarter Update: There have been no changes to ownership 1st Quarter Update: There have been no changes to ownership.</p> | | | | |
| 2 through 35 | Clipper For Sale, LLC. | The Ryland Group, Inc. | No | \$101,350.00/lot |
| <p>Notes: <u>PERMANENT NOTE: All of these lots have been sold by Ryland to 3rd Party homebuyers. Thus, there will be no more quarterly updates on this issue.</u> 2nd Quarter Update: All of these lots have been sold by Ryland to 3rd Party homebuyers. Thus, this section will be closed from now on. 1st Quarter Update: No update.</p> | | | | |
| 39 | Clipper Redevelopment Company, LLC. | Millrace Building, LLC | Yes | \$0.00 |
| <p>Notes: <u>PERMANENT NOTE: All units have been sold and settled. Issue is closed and there will be not additional updates.</u> <u>4th Quarter Update: 62 of the 62 units have been settled by 12.31.07.</u> <u>3rd Quarter Update: 61 of the 62 units have been contracted or settled by 9.31.07.</u> 2nd Quarter Update: 60 of the 62 units have been contracted or settled by 6.31.07. 1st Quarter Update: 54 of the 62 units had been contracted or settled by 3.31.07. As of 6.20.07, 59 units were contracted or settled out of the 62.</p> | | | | |
| 38 – Tractor Building | Clipper Redevelopment Company, LLC | Clipper For Sale, LLC | Yes | \$0.00 |

| | | | | |
|---|--|--------------------------|-----|--------|
| Notes: <u>4th Quarter Update: No change of ownership this quarter.</u> <u>3rd Quarter Update: No change of ownership this quarter.</u> 2 nd Quarter Update: No change of ownership this quarter. 1st Quarter Update: No update. | | | | |
| 40 | Clipper Redevelopment Company, LLC | Clipper For Sale, LLC | Yes | \$0.00 |
| Notes: Lot 40 was transferred from Clipper Redevelopment, LLC. to Clipper For Sale, LLC. BB&T has replaced BOA as the construction lender for this portion of the project. | | | | |
| | | | | |

b) **Issuance of Building Permits:**

i) **Foundry Building – 51,000 SF.**

(1) **PERMANENT NOTE: Building is complete and no new permits will be issued. Issue is closed and there will be no further updates.**

(2) **4th Quarter Update:**

(a) **No new building permits related to this building.**

(3) **3rd Quarter Update:**

(a) **No new building permits related to this building.**

(4) **2nd Quarter Update:**

(a) No new permits related to this job.

(5) **1st Quarter Update:**

(a) Building permit for Woodberry Kitchen was issued in February 2007.

ii) **Pool & Hunt Building – 39,000 SF:**

(1) **PERMANENT NOTE: Building is complete and no new permits will be issued. Issue is closed and there will be no further updates.**

(2) **4th Quarter Update:**

(a) **No new building permits related to this building.**

(3) **3rd Quarter Update:**

(a) **No new building permits related to this building.**

(4) **2nd Quarter Update:**

(a) No new permits related to this job.

(5) **1st Quarter Update:**

(a) **No new permits related to this job.**

iii) **Stables Building – 7,500 SF:**

(1) **PERMANENT NOTE: Building is complete and no new permits will be issued. Issue is closed and there will be no further updates.**

(2) **2nd Quarter Update:**

(a) Job is completed and closed. No further permits and or updates forthcoming.

(3) **1st Quarter Update:**

(a) No new permits related to this job.

iv) **Assembly Building:**

(1) **PERMANENT NOTE: Building is complete and no new permits will be issued. Issue is closed and there will be no further updates.**

(2) 2nd Quarter Update:

(a) Job is completed and closed. No further permits and or updates forthcoming.

(3) 1st Quarter Update:

(a) No new permits related to this job.

v) **Millrace Building:**

(1) **PERMANENT NOTE: Building is complete and no new permits will be issued. Issue is closed and there will be no further updates.**

(2) 2nd Quarter Update:

(a) Job is completed and closed. No further permits and or updates forthcoming.

(3) 1st Quarter Update:

(a) No new permits related to this job.

vi) **Pool:**

(1) **PERMANENT NOTE: Building is complete and no new permits will be issued. Issue is closed and there will be no further updates.**

(2) 2nd Quarter Update:

(a) Job is completed and closed. No further permits and or updates forthcoming.

(3) 1st Quarter Update:

(a) No new permits related to this job.

vii) **Site – Southwest Section:**

(1) **2nd Quarter Update:**

(a) **No new permits related to this job.**

(2) **1st Quarter Update:**

(a) No new permits related to this job.

viii) **Southwest Section - Overlook Clipper Homes:**

(1) **4th Quarter Update:**

(a) **Time extensions to the 38 construction permits were issued. Copies are attached.**

(2) **3rd Quarter Update:**

(a) **38 construction permits were issued. Copies are attached.**

(3) 2nd Quarter Update:

(a) None.

(4) 1st Quarter Update:

(a) Building permit was issued for the 1st 2 homes on the site.

c) **Material Changes to Development:**

(1) **1st Quarter Update:**

(a) **No material changes to the development.**

d) **Development Schedule:**

| Development | Use | Schedule | |
|-------------|-----|--------------------|-------------------------|
| | | Construction Start | Construction Completion |
| | | | |

| | | LOM | Revised | LOM | Revised |
|--|--|---------------|---------------|---------------|----------------|
| Foundry Building | Artisan/office | June 2003 | June 2003 | February 2004 | October 2004 |
| Notes: <u>PERMANENT NOTE: Building is complete. Issue is now closed and there will be no future updates.</u> <u>4th Quarter Update: Woodberry Kitchen (restaurant) has opened and is has been filled to capacity on most nights during the prime dining hours.</u> | | | | | |
| Poole & Hunt Building (FKA - Artisan Building) | Artisan/office | May 2004 | October 2004 | December 2004 | August 2005 |
| Notes: <u>PERMANENT NOTE: Building is complete. Issue is now closed and there will be no future updates.</u> | | | | | |
| Assembly Building | 36 rental apartments and 12,000 SF of Office space | July 2004 | November 2004 | July 2005 | December 2005 |
| Notes: <u>PERMANENT NOTE: Building is complete. Issue is now closed and there will be no future updates.</u> 2 nd Quarter Update: Job is completed and closed. No further updates forthcoming. 1 st Quarter Update: Building is complete. No new update. | | | | | |
| Mill Race Apartments | 62 condominium units | February 2004 | April 2004 | February 2005 | September 2005 |
| Notes: <u>PERMANENT NOTE: Building is complete. Issue is now closed and there will be no future updates.</u> 2 nd Quarter Update: Job is completed and closed. No further updates forthcoming. 1 st Quarter Update: Building is complete. No new update. | | | | | |
| Townhouse Type A | 34 townhouses | May 2004 | April 2005 | | December 2005 |

| | | | | | |
|--|------------------------------|--------------|---------------|--------------|----------------|
| Notes: <u>PERMANENT NOTE: Buildings are complete. Issue is now closed and there will be no future updates.</u> 2 nd Quarter Update: Job is completed and closed. No further updates forthcoming. 1 st Quarter Update: Construction is complete. No new updates. | | | | | |
| Townhouse Type B | 0 townhouses 8 townhouses | April 2005 | | | |
| Notes: <u>PERMANENT NOTE: The decision was made to eliminate these 8 homes from the development program and to increase the number of duplex units to 38.</u> | | | | | |
| Duplex Type C | 38 duplexes | April 2005 | | | |
| Notes: <u>4th Quarter Update: Construction was completed on the 1st 2 units. One unit was sold and settled while its attached unit was made into the sales center and model unit. Construction continues on the 18 units commenced late in the 3rd Quarter.</u> <u>3rd Quarter Update: Construction continued on the 2 units. Completion is scheduled for early 4th Quarter. Construction commenced on 18 additional units.</u> 1 st Quarter Update: Building permits were received for the 1 st pair of duplex houses. Houses are under construction with a proposed delivery of the end of July 2007. | | | | | |
| Tractor Building | 27 townhouses condo | January 2005 | July 2005 | January 2006 | July 2006 |
| Notes: <u>1st Quarter Update: No change to schedule.</u> | | | | | |
| Stables Building | Office | January 2005 | December 2004 | Fall 2005 | September 2005 |
| Notes: <u>PERMANENT NOTE: Building is complete. Issue is now closed and there will be no future updates.</u> 2 nd Quarter Update: Job is completed and closed. No further updates forthcoming. 1 st Quarter Update: Building is complete. No further updates. | | | | | |

e) **Plan of Finance for Development and the Public Improvements:**

- i) **1st Quarter Update:** There have been no changes in the plan of finance for development and public improvements for the Project as described in the Limited Offering Memorandum under the heading “Plan of Finance for Development and the Public Improvements.”

| | Original Budget | Budget Changes | Current Budget |
|--|----------------------------|---------------------------|---------------------------|
| Sources of Funds | | | |
| Construction loans | \$32,531,803 | | \$32,531,803 |
| Equity: Mezzanine | 4,80,021 | | 4,80,021 |
| Deferred development fee | 1,791,588 | | 1,791,588 |
| Equity: Fed. Historical Tax Credit | 3,512,547 | | 3,512,547 |
| Equity: FHTC – New Market Tax Credits | 694,419 | | 694,419 |
| Equity: MD Historical Tax Credit | 2,460,000 | | 2,460,000 |
| Developer cash equity | 6,717,757 | | 6,717,757 |
| 2004 Bonds proceeds (<i>Excluding COI</i>) | 5,500,000 | | 5,500,000 |
| TOTAL | \$58,013,135 | | \$58,013,135 |

| | | | |
|--------------------------------------|---------------------|--|---------------------|
| Uses of Funds | | | |
| Acquisition | \$ 3,320,000 | | \$ 3,320,000 |
| Construction | 41,061,297 | | 41,061,297 |
| Architectural & engineering services | 1,425,294 | | 1,425,294 |
| Organizational & professional | 507,455 | | 507,455 |
| Carrying costs: Const. & leasing | 988,155 | | 988,155 |
| Leasing – commissions/marketing | 276,561 | | 276,561 |
| Marketing | 932,142 | | 932,142 |
| Financing | 808,405 | | 808,405 |
| Project contingency | 1,945,474 | | 1,945,474 |
| Management (<i>Time</i>) | 1,619,372 | | 1,619,372 |
| Development fee (<i>Cash</i>) | 3,337,392 | | 3,337,392 |
| Development fee (<i>Deferred</i>) | 1,791,588 | | 1,791,588 |
| TOTAL | \$58,013,135 | | \$58,013,135 |

- f) **Status of Approvals:** The developer reports the changes to the status of approvals, listed in the following table, as described in the Limited Offering Memorandum under the heading “PROPOSED DEVELOPMENT – Status of Approvals.”

| Permit/Approval | Permitting Agency | Date Submitted | Date Approved |
|---|-----------------------------------|----------------------------------|----------------|
| Planned Unit Development - | | | |
| Notes: <u>4th Quarter Update: There have been no changes to the PUD.</u> <u>3rd Quarter Update: There have been no changes to the PUD.</u> 2 nd Quarter Update: There have been no changes to the PUD. 1 st Quarter Update: There have been no changes to the PUD. | | | |
| Site Plan Review | Dept of Planning | 10/5/04 1/16/05 | 1/16/05 |
| Notes: <u>4th Quarter Update: There have been no changes to the Site Plan.</u> <u>3rd Quarter Update: There have been no changes to the Site Plan.</u> 2 nd Quarter Update: There have been no changes to the Site Plan. 1 st Quarter Update: No update. | | | |
| Design Approval – | Dept of Planning & NPS | | |
| Notes: <u>4th Quarter Update: There have been no changes to the PUD.</u> <u>3rd Quarter Update: The National Park Service and Maryland Historic Trust have provided some preliminary verbal review and approval to a new plan for the Tractor Building.</u> 2 nd Quarter Update: No update. 1 st Quarter Update: The National Park Service and Maryland Historic Trust approved the site plan and building concept for the 38 duplex homes in the Southwest portion of the site. | | | |
| Subdivision | | | |
| Notes: <u>4th Quarter Update: There have been no changes to the subdivision.</u> <u>3rd Quarter Update: There have been no changes to the subdivision.</u> 2 nd Quarter Update: There have been no changes to the subdivision. 1 st Quarter Update: There have been no changes to the subdivision. | | | |
| Public Works Developer's Agreement | Dept of Public Works | | |

Notes:

4th Quarter Update: There have been no changes to the Public Works Developer's Agreement. Development and Property Management are in the process of turning the public improvements (streets, sidewalks, alleyways and related public utilities for the Northeast Section) over to Baltimore City. This is expected to occur in 1st Quarter 2008.

3rd Quarter Update: There have been no changes to the Public Works Developer's Agreement.

2nd Quarter Update: There have been no changes to the Public Works Developer's Agreement.

1st Quarter Update: There have been no changes to the Public Work's Developer's Agreement.

| | | | |
|------------------------|---------|--|--|
| Historic Certification | NPS/MHT | | |
|------------------------|---------|--|--|

Notes:

4th Quarter Update: There have been no changes to historic certification.

3rd Quarter Update: There have been no changes to historic certification.

2nd Quarter Update: There have been no changes to historic certification.

1st Quarter Update: Site plans and architectural concept drawings for the homes in the SW section of the site have been approved by the National Park Services and the Maryland Historic Trust.

| | | | |
|----------------------|-----------------------------------|--|--|
| Environmental Review | Maryland Dept. of the Environment | | |
|----------------------|-----------------------------------|--|--|

Notes:

4th Quarter Update: There have been no changes to environmental review.

3rd Quarter Update: There have been no changes to environmental review.

2nd Quarter Update: There have been no changes to environmental review.

1st Quarter Update: There have been no changes to environmental review.

g) Leasing Activity:

| Buildings | Section | Area (sf) | Use | Leasing Status |
|--|---------|-----------|----------------|----------------|
| Foundry Building | NE | 51,000 | Artisan/office | |
| LEASING STATUS: | | | | |
| 4th Quarter Update: <u>100% of the building is leased with rent commencement of Woodberry Kitchen in October 2007.</u> | | | | |
| 2 nd Quarter Update: 100% of the building is leased. 94% of the building is occupied. 100% occupancy will be reached when Woodberry Kitchen is completed. | | | | |
| 1 st Quarter Update: 100% of the building is leased. 94% of the building is occupied. 100% occupancy will be reached when Woodberry Kitchen is completed. | | | | |
| Poole & Hunt Bldg. (formerly Artisan Building) | NE | 39,800 | Office | |
| LEASING STATUS: | | | | |

| | | | | |
|---|----|--------|--|--|
| 4th Quarter: 97.0% leased. Suite 300 is currently undergoing tenant improvement work to allow for the expansion of 4Thought, Inc. | | | | |
| 2 nd Quarter Update: The building is approximately 98% leased. | | | | |
| 1 st Quarter Update: The building is 93% leased with only one 3,200 SF space remaining. | | | | |
| | | | | |
| Assembly Building | NE | 51,000 | 36 rental apartments and 12,000 SF of Office space | |
| LEASING STATUS: | | | | |
| 4th Quarter Update: 100% of the commercial space is leased. 92% of the residential space is leased. | | | | |
| 2nd Quarter Update: 100% of the commercial space is leased. 34 of 36 apartments are leased. | | | | |
| 1 st Quarter Update: 100% of the commercial space is leased. 33 of the 36 apartments are leased. | | | | |
| | | | | |
| Millrace Condominiums | NE | 77,000 | 62 for sale condominiums | <u>Under construction, See attached report for details.</u> |
| SALES STATUS: | | | | |
| 4th Quarter Update: 64 of the 64 units have been sold. | | | | |
| 3rd Quarter Update: 63 of the 64 units have been sold. | | | | |
| 2 nd Quarter Update: 62 of 64 units have been sold. | | | | |
| | | | | |
| Tractor Building | NE | 92,000 | 27 townhouses condo | NA |
| Stables Building | NE | 7,500 | Office | 100% leased. Please see attached leasing report for update. |
| LEASING STATUS: | | | | |
| 4th Quarter Update: Building is 100% leased. | | | | |
| 3rd Quarter Update: Building is 100% leased. | | | | |
| 2 nd Quarter Update: Building is 100% leased. | | | | |
| 1 st Quarter Update: Building is 100% leased. | | | | |

3) **Zoning Classification:**

- a) **4th Quarter Update: No changes.**
- b) **3rd Quarter Update: No changes.**
- c) 2nd Quarter Update: There have been no changes to the zoning classification of the parcels within the district.
- d) 1st Quarter Update: There have been no changes to the zoning classification of the parcels within the district.

4) **Legislative, Administrative or Judicial Challenges:**

- a) **2nd Quarter Update: None.**

- b) 1st Quarter Update: None.
- 5) **Material changes to the Form of Ownership of the Developer:**
- a) 4th Quarter Update: No changes.
 - b) 3rd Quarter Update: No changes.
 - c) 2nd Quarter Update: The Jonathan Rose Smart Growth Fund has purchased an equity share of Clipper Redevelopment LLC.
 - d) 1st Quarter Update: No changes.
- 6) **Funding Agreement:**
- a) 4th Quarter Update: No changes.
 - b) 3rd Quarter Update: No changes.
 - c) 2nd Quarter Update: No changes.
 - d) 1st Quarter Update: No changes.
- 7) **Statement as to any Material Amendments to any Contracts Relating to the Project:**
- a) 4th Quarter Update: No changes.
 - b) 3rd Quarter Update: No changes.
 - c) 2nd Quarter Update: No changes.
 - d) 1st Quarter Update: No changes.
- 8) **Developer reports that there have been no material changes to any other information provided by the developer for inclusion into the Limited Offering Memorandum, including the Engineering Report and Market Study.**
- a) 4th Quarter Update: No changes.
 - b) 3rd Quarter Update: No changes.
 - c) 2nd Quarter Update: No changes.
 - d) 1st Quarter Update: No changes.
- 9) **The developer has not obtained actual knowledge of the occurrence of any Significant Events, as described in Section 3 (page G-2) in the Agreement attached.**
- a) 4th Quarter Update: No changes.
 - b) 3rd Quarter Update: No changes.
 - c) 2nd Quarter Update: No changes.
 - d) 1st Quarter Update: No changes.

CLIPPER REDEVELOPMENT COMPANY, LLC

By: Clipper Redevelopment Company, LLC

By:  _____

Title: Sr. Development Director/Authorized Agent

Date: 2/8/08

EHIBIT A
BUILDING SUMMARY

| Buildings | New or Existing | Section | Area (sf) | Use | Estimated Construction Start | To be Built by | Financing |
|---|--------------------------------|----------------|----------------------|--|---|-------------------------------|--------------------------|
| Certified Historic Project | | | | | | | |
| Foundry Building | Existing | NE | 51,000 | Artisan/office | June 2003 | SBER | Bank of America/Wachovia |
| Poole & Hunt Bldg (formerly Artisan Building) | Existing | NE | 39,800 | Artisan/office | June 2004 | SBER | Bank of America/Wachovia |
| Stables Building | Existing | NE | 7,500 | Office | January 2005 | SBER | Bank of America/Wachovia |
| Assembly Building | Existing | NE | 51,000 | 36 rental apartments, 12,000 SF Office space | October 2004 | SBER | Bank of America/Wachovia |
| The Mill Race Project | | | | | | | |
| Mill Race Apartments | New | NE | 77,000 | 62 condominium units | February 2004 | SBER | BB&T |
| Phase II | | | | | | | |
| Townhouse Type A | New | NE | NA | 34 townhouses | April 2005 | Ryland | BB&T – land development |
| Townhouse Type B | New | SW | NA | 8 townhouses | April 2005 | SRH | BB&T – land development |
| Duplex Type C | New | SW | NA | 38 duplexes | April 2005 | SRH | BB&T – land development |
| Tractor Building | Existing | NE | 92,000 | 27 townhouses condo | January 2005 | SBER | BB&T – land development |

EXHIBIT B

SUMMARY OF LITIGATION

- e) 4th Quarter Update –See attached update memo from Kramon & Graham.
- f) 1st Quarter Update: None.