

**\$16,420,000**  
**NEW PORT COMMUNITY DEVELOPMENT AUTHORITY**  
**SPECIAL ASSESSMENT BONDS**  
**SERIES 2006**

**COMPANY'S CONTINUING DISCLOSURE STATEMENT**

Mr. Keenan Rice  
MuniCap Public Finance  
6760 Alexander Bell Drive, Suite 220  
Columbia, Maryland, 21046

In accordance with the Continuing Disclosure Agreement by and between Portsmouth Venture One, L.L.C. (the "Company") and MuniCap, Inc. (the "Administrator"), the Company hereby provides the following information as of September 30, 2008. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Indenture of Trust dated May 1, 2006.

The information provided herein is not intended to supplement the information provided in the Limited Offering Memorandum. This report responds to the specific requirements of the continuing disclosure agreement. No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as September 30, 2008, unless otherwise stated, and no representation is made that the information contained herein is indicative of information that may pertain since the end of the period covered by this report or in the future.

To the best of the knowledge of the undersigned, as of September 30, 2008:

**1. Status of public improvements financed with the bonds:**

<b>Public Improvement</b>	<b>Original Budget</b>	<b>Budget Change</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
Site Preparation	\$353,835	\$0	\$353,835	\$353,835	100.0%
Pavement	\$5,227,400	\$0	\$5,227,400	\$2,660,893	50.9%
Concrete Entrance	\$187,500	\$0	\$187,500	\$6,000	3.2%
Water Main & Service	\$1,981,375	\$0	\$1,981,375	\$789,215	39.8%
Fire Hydrants	\$93,450	\$0	\$93,450	\$55,712	59.6%
Sanitary Sewer	\$4,633,143	\$0	\$4,633,143	\$4,633,143	100.0%
Street & Pedestrian Lighting	\$442,500	\$0	\$442,500	\$49,999	11.3%
Landscaping	\$954,050	\$0	\$954,050	\$840,935	88.1%
Street Signage	\$350,000	\$0	\$350,000	\$4,546	1.3%
Traffic Circle	\$458,000	\$0	\$458,000	\$0	0.0%
Maintenance of traffic	\$135,000	\$0	\$135,000	\$53,768	39.8%
Surveying & Engineering	\$1,726,902	\$0	\$1,726,902	\$1,269,690	73.5%
Contingency	\$1,654,316	\$0	\$1,654,316	\$0	0.0%
Sub-Total	\$18,197,471	\$0	\$18,197,471	\$10,717,736	58.9%
Less Private Contributions	(\$6,004,447)	\$0	(\$6,004,447)	\$0	0.0%
<b>Total:</b>	<b>\$12,193,024</b>	<b>\$0</b>	<b>\$12,193,024</b>	<b>\$10,717,736</b>	<b>87.9%</b>

2. Status of development and approvals:

Infrastructure	Agency	Estimated Time Frame				
		Phase 1 A	Phase 1 B	Phase 1 C	Phase 2	Phase 3
		75 Lots	382 Lots	133 Lots	559 Lots	300 Lots *
Earthwork, Demolition	City of Portsmouth	Dec-04	Jun-06	Dec-10	Dec-10	Dec-12
Traffic Circle	City of Portsmouth	Dec-04	Jun-08	Dec-10	Dec-10	Dec-12
Paving, Landscape, Misc. Site Improvements	City of Portsmouth	Dec-04	Jun-06	Dec-10	Dec-10	Dec-12
Water Distribution System	City of Portsmouth	Dec-04	Jun-06	Dec-10	Dec-10	Dec-12
Sewage Collection System	City of Portsmouth	Dec-04	Jun-06	Jun-10	Dec-10	Dec-12
Plat	City of Portsmouth	Jun-05	Mar-07	Dec-10	Dec-10	Jun-13
Group Housing Permit (GHP)	City of Portsmouth	Received	Received	Not required	Dec-10	Dec-12

\* See note in item 10 below.

**Phase 1A**

- Improvements are complete.

**Phase 1B, Section 1 (227 Lots)**

- Water, sewer installation complete, except lining sewer manholes.
- Roads complete, except final course of asphalt.
- All lots are platted.
- Traffic circle, lighting and landscaping not started.
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**Phase 1B, Section 2 (155 Lots)**

- Sewer, water and roads 50% complete.
- 61 Lots platted.

3. Status of Loans:

a. Loans Secured by Property within the District:

**Bank of America Acquisition & Development Loan:**

- Balance at 9/30/08: \$14,239,316
- Amount drawn through 9/30/08: \$30,441,027
- Amount repaid through 9/30/08: \$16,201,711
- Interest rate: 1-month LIBOR plus 2.25% (5.97 at 9/30/08)

**Bank of America Chesapeake Home Loan (as defined in the LOM):**

- Balance at 9/30/08: \$3,518.606
- Amount drawn through 9/30/08: \$20,790,963
- Amount repaid through 9/30/08: \$17,272,357
- Interest rate: 1-month LIBOR plus 2.25% (4.96% at 9/30/08)

b. Amendments to any Loan:

There have been no amendments to any loan related to the financing of the project.

Chesapeake Home Loan (as defined in the LOM) was renewed in July 2007 (annual renewals) and the maximum borrowing capacity was maintained at \$70,000,000. This facility may be used to fund other homebuilding projects, as approved by the lender (Bank of America).

- c. Event of Default on any Loan: On June 15, 2008, the Company received notice from Bank of America, N.A. that the Bank of America Acquisition & Development Loan was in default for failure to make payments due thereon. Neither the Company nor Chesapeake Homes has received notice of the existence of any default on the payment of the Chesapeake Home Loan; however the loan matured in July of 2008 and has not been renewed.
- d. Liens: There exist no other liens for borrowed money secured by the property owned by the Company in the district.

**PLEASE NOTE:** The following mechanic's liens have been filed covering property owned by the Company in the district:

Atlantic Coastal Clearing & Grading, Inc.	7/23/08	\$52,600.44
Basnight Land & Lawn, Inc.	7/30/08	\$29,073.89 (paid in full)
Bay Concrete Construction Company	7/24/08	\$44,639.57
Bay Concrete Construction Company	7/24/08	\$55,389.32
Kimley-Horn and Associations, Inc.	8/25/08	\$8,000.00 (paid in full)
Ocean Leisure Pools, Inc.	7/14/08	\$161,750.00 (paid in full)

The Company has been working with each of the service providers to reach an acceptable payment plan for payment of all amounts that are the subject of the liens. In addition, there have been partial payments to Atlantic Coastal and Bay Concrete in connection with the sale of homes during the months of September, October and November.

4. Status of sales and marketing:

a. Land Sales:

Landowner	Anticipated Use (Lot Type)	Anticipated Number of Homes to be Built
Chesapeake Homes *	Single Family Homes	75
Chesapeake Homes **	Single Family Homes	98
Total		173

\* Represents the purchase of Phase 1A developed lots for construction of single-family homes. Refer to table in 4.b. below for status of home sales to third party homebuyers.

\*\* Represents the purchase of the first section of finished lots in Phase 1B. Refer to table in 4.b. below for status of home sales to third party homebuyers.

b. Lots Sold, Closed and Building Permits Issues:

Phase and Unit Type	Number of Units	Number of Lots Sold to Homebuilder	Number of Lots Settled with Builders	Number of Bldg Permits obtained by Homebuilder	Number of Homes Sold	Number of Homes Settled with Homebuyers
PHASE 1A						
SFD 20-24 Foot	55	55	55	55	55	55
SFD 32 Foot	20	20	20	19	19	19
PHASE 1B						
SFD 24 Foot	109	22	22	6	0	0
SFD 32 Foot	89	12	12	1	1	1
2 Story TH 24 Foot	84	0	0	0	0	0
3 Story TH 16-20 Foot	100	64	64	48	42	41
PHASE 1C						
SFD 32 Foot	60					
SFD 42 Foot	32					
SFD 50 Foot	41					
PHASE 2						
SFD 20-24 Foot	219					
SFD 32 Foot	60					
3 Story TH 16-20 Foot	178					
4 Story Stacked TH	102					
PHASE 3 *						
3 Story Multi-family Building Square Feet (in thousands)	300 100					
Total	1,549	173	173	129	117	116

\* See note in item 10 below.

**5. Changes in organization or ownership of the company:**

There have been no material changes to the organization or ownership of the Company as described in the LOM.

**6. Legislative, administrative or judicial challenges:**

There have been no legislative, administrative, or judicial challenges to the construction of the 2006 bond facilities or the development within the district.

**7. Changes in the plan to develop:**

There have been no material changes in the plan to develop the 2006 Bond Facilities or the Development as provided in the LOM.

**8. Amendment or supplement to the Development/Acquisition Agreement:**

There have been no amendments or supplements to the Development/Acquisition Agreement.

**9. Notice of default under any sales agreement:**

The Company has not received or given any notice of default under any sales agreement between the Company and buyer of land within the district (see note below).

There have been no defaults between the Company and Chesapeake Homes. A *de minimis* number of contracts between Chesapeake Homes and third party homebuyers have been cancelled, but not due to any default on the part of the Company or Chesapeake Homes.

**10. Other disclosure item(s):**

In January 2008, the Company applied for a re-zoning of the land in Phase 3 of the development. The current zoning allows for 427 single family attached and multi-family residential dwelling units. The proposed re-zoning would allow for 100,000 square feet of commercial space and 300 multi-family residential dwelling units. The Company re-submitted its application for re-zoning to the Planning Department of the City of Portsmouth in March 2008. After several deferrals of the Planning Commission's hearing of the matter, the Planning Commission heard the Company's request on June 3, 2008, but deferred its vote on the matter until its July meeting to give the Company and City staff an opportunity to agree on acceptable elevations for the proposed grocery store and proposed apartments.

In July, the Company asked for a 3-month deferral and the matter was scheduled for a consideration by the Planning Commission on November 4, 2008. Because of the current economic conditions, as well as neighborhood opposition, the Company withdrew its application.

In connection with the possible re-zoning, the board of the New Port Community Development Authority approved an amendment to the Rate and Method of Apportionment of the assessments related to its Series 2006 Special Assessment Bonds. The information in table 4.b. of this report is presented based on the proposed re-zoning.

11. **Significant Events:** The Company has not obtained actual knowledge of the occurrence of any Significant Events, as listed below, except as disclosed below.

**Significant Events**

According to the Section 3 of the Agreement, Company Significant Events include the following:

- (i) failure to pay any real property taxes (including the special assessments) levied within the district on a parcel owned by the Company;

**PLEASE NOTE:** The Company has received notice from the City of Portsmouth that it has failed to pay real estate taxes assessed against 23 lots located in the development for the period from April 1, 2008 through June 30, 2008 (4<sup>th</sup> quarter of 2007) which were due on June 30, 2008, in an aggregate amount of \$1,680.81. In addition, the Company has failed to pay real estate taxes assessed against the land it owns within the district for the period from July 1, 2008 through September 30, 2008, which were due on September 30, 2008, in an aggregate amount of \$272,110.39, though the Company believes this amount is in excess of the amount actually due and is working with the City to correct the assessment.

- (ii) material damage to or destruction of any improvements within the district;

- (iii) material default by the Company on any loan with respect to the construction or permanent financing of the development;

**PLEASE NOTE:** On June 15, 2008, the Company received notice from Bank of America, N.A. that the Bank of America Acquisition & Development Loan was in default for failure to make payments due thereon. Prior to that notice, and since the notice was received, the Bank and the Company have been diligently working to restructure the Acquisition and Development loan to cure the existing defaults and to agree to a restructuring of the Acquisition and Development Loan that will provide necessary and adequate funding to complete the development of the current phase of the project.

Although neither the Company nor Chesapeake Homes has received notice of the existence of any default on the payment of the Chesapeake Home Loan, the loan matured in July of 2008 and has not been renewed. The Bank and the Company have been diligently working to restructure the Chesapeake Home Loan to cure the existing defaults.

- (iv) material default by the Company thereof on any loan secured by property within the district owned by the Company;

**PLEASE NOTE:** On June 15, 2008, the Company received notice from Bank of America, N.A. that the Bank of America Acquisition & Development Loan was in default for failure to make payments due thereon. Prior to that notice, and since the notice was received, the Bank and the Company have been diligently working to restructure the Acquisition and Development loan to cure the existing defaults and to agree to a restructuring of the Acquisition and Development Loan that will provide necessary and adequate funding to complete the development of the current phase of the project.

Although neither the Company nor Chesapeake Homes has received notice of the existence of any default on the payment of the Chesapeake Home Loan, the loan


matured in July of 2008 and has not been renewed. The Bank and the Company have been diligently working to restructure the Chesapeake Home Loan to cure the existing defaults.

- (v) the filing of the Company, any general partner of the Company or any owners of more than 25% interest in the Company in bankruptcy or any determination that the Company or any owner of an interest in the Company or a subsidiary of the Company is unable to pay its debts as they become due; and

**PLEASE NOTE:** The Company is owned by Art B. Sandler (50%) and Steve B. Sandler (50%). The Sandlers individually personally guaranty the obligations of the Company as well as the obligations of the numerous entities comprising the Sandler real estate development enterprise. Neither the Company nor the owners have filed bankruptcy. Due to adverse economic, market and financial conditions, there has been a material adverse change in the financial condition of the Company and its owners such that the owners of the Company are unable to pay their debts as they become due (though there has been no formal determination thereof). The Company, its Owners and the other entities comprising the Sandler real estate development enterprise have recently been engaged in comprehensive discussions regarding a restructuring of the real estate development obligations, and the entities have requested that its lenders continue to fund the projects on an on-going basis. The Company and its owners with respect to the project, are negotiating deferred payment plans for those vendors who have not been timely paid, and have put into place joint payment arrangements for CDA funds to ensure the bondholders that the vendors providing materials and services for the Public Improvements are timely paid.

- (vi) the filing of any lawsuit with claim for damages in excess of \$1,000,000 against the Company which may adversely affect the completion of the 2006 bond facilities or the development or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the Company.

PORTSMOUTH VENTURE ONE, L.L.C.

By:   
Nathan D. Benson, Manager

Date: 9/30/08