

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2007

*\$40,500,000 Cleveland-Cuyahoga County Port Authority
University Heights, Ohio – Public Parking Garage Project
Senior Special Assessment/Tax Increment Revenue Bonds, Series 2001A*

Prepared by:

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February 14, 2008

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I. UPDATED INFORMATION

Information updated from the Annual Development Activity and Disclosure Report from the period ending December 31, 2006 is as follows:

- Inland US Management, LLC reports that a total of 458,841 square feet of space was either sold or leased, representing 73.9% of the total space.
- Inland US Management, LLC reports that efforts are underway to attract new tenants including interior ramps, re-signing of the parking garage to facilitate access and switching to angle parking instead of 90 degree parking. Additional marketing and engineering studies, which may result in some structural changes, are also currently under consideration.
- According to the Cuyahoga County Auditor's Office, service payments for collection in 2008 were estimated to be \$3,366,473. The county reports that service payments in the amount of \$1,683,236 were collected as of February 13, 2008, representing 100 percent first half service payments. The second half service payments are due on July 9, 2008. As a result, there are no delinquent service payments at this time
- As of January 1, 2007, the 2007 assessed value of the property within the development site was \$30,588,000, which represents an increase of \$29,057,940 from the base year assessed value of \$1,530,060, excluding the tax exempt parcel.
- According to the Cuyahoga County Auditor's Office, the effective millage rate has increased from 103.246927 in 2006 to 110.058616 per \$1,000.00 of assessed value in 2007.
- According to the Cuyahoga County Board of Revisions, the May Company filed a Complaint Against the Valuation of Real Property on March 27, 2007 on the Kaufmann parcel (721-01-002) for the 2006 tax year. According to the Cuyahoga County Auditor, the true value of this parcel for the 2006 tax year was listed as \$24,436,500. According to the Complaint Against the Valuation of Real Property filed by the property owner, the true value should be \$11,000,000.
- According to the Cuyahoga County Board of Revisions, On December 1, 2006, the May Company, the Board of Education and Cuyahoga County filed a Stipulation with the Ohio State Board of Tax Appeals, which is a mutual agreement reducing the true value on parcel 721-01-002 for the 2003, 2004 and 2005 tax years from \$24,394,600 to \$12,000,000. According to the Cuyahoga County Board of Revision, the Ohio State Board of Tax Appeals approved the Stipulation on January 5, 2007. As a result, service payments for 2003, 2004 and 2005 will be reduced in an amount equal to the estimated refund for the overpayment in those years of \$443,376, \$459,429 and \$477,565, respectively, on parcel 721-01-002.

II. INTRODUCTION

Cleveland-Cuyahoga County Port Authority (the “Port Authority”) issued the \$40,500,000 Series 2001A Senior Special Assessment/Tax Increment Revenue Bonds (University Heights, Ohio - Public Parking Garage Project) pursuant to (i) Sections 4582.01 through 4582.20 of the Ohio Revised Code (the “Port Act”) and the Tax Increment Financing Agreement, dated April 30, 2001 (the “TIF Agreement”), by and among the city, the developer and the Cleveland Heights-University Heights City School District (the “School District”) and ordinance Number 2001-28, which was passed by the City Council on April 16, 2001 (the “TIF Ordinance”), and (ii) an indenture of trust by and between the Port Authority and J.P. Morgan Trust Company National Association, as trustee, dated as of December 1, 2001.

The bonds are special, limited obligations of the Port Authority, which are secured by service payments in lieu of taxes (PILOTs) for a period of thirty years in an amount equal to the real property tax collections arising from the increase, if any, in the assessed value of real property located within the development site since January 1, 2000. To the extent that the service payments are insufficient to pay annual debt service and administrative expenses, a special assessment is to be levied on the taxable parcels within the assessment site.

The property in the assessment site consists of 10 acres of land within the 15 acre University Square Development Site, which is located at the southeast corner of Cedar and Warrensville Center Roads in University Heights, Ohio. Starwood Wasserman has constructed on the assessment site a multi-level retail center consisting of a 164,684 square foot retail facility that has been sold to Kaufman’s, a 164,590 square foot retail facility that has been sold to Target and approximately 291,726 square feet of additional leasable space.

Pursuant to the official statement, \$40,500,000 in special limited obligation bonds (Series 2001A) were sold to finance the acquisition and construction of a five level parking garage with approximately 2,260 parking spaces, which will serve the property located within and adjacent to the assessment site.

Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is required for the bonds. The Port Authority, developer and administrator have agreed to provide financial information, operating data and event disclosures in accordance with the Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Starwood Wasserman reports that the development was sold to Inland Western University Heights University Square, LLC on May 2, 2005. The agent for the new owner is Inland US Management, LLC.

The information in this report on development activity was provided by Inland US Management, LLC and is believed to be accurate; however, no effort has been made to independently verify the information.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The University Square project is located at the southeast corner of the intersection of Cedar and Warrensville Center Roads in University Heights, Ohio. The land in the University Square development site is comprised of approximately 15 acres and is adjacent to the Parking Garage Project site. University Square was planned as a multi-level retail center combining the attributes of both a community center and power center into a vertical retail center. The Official Statement reported that approximately 609,000 square feet of leaseable space would be created in the vertical retail center.

As outlined in the Official Statement, Starwood Wasserman anticipated that 388,100 square feet of aggregate leaseable anchor space and 220,900 square feet of additional retail and restaurant space would be created. Starwood Wasserman anticipated that parcels would be sold for the anchor space reserved for a 165,000 square foot redeveloped Kaufmann's Department Store and a new 164,000 square foot Target Store. In addition to the 291,726 square feet of retail and restaurant space mentioned above, Starwood Wasserman also anticipated that two outparcels totaling approximately 10,000 square feet would be created. As a result, Inland US Management, LLC has since revised the total square footage figure to 621,000 square feet of leaseable space, which will be made available to retailers.

As outlined in the Official Statement, the construction of the public parking garage facility funded with bond proceeds was to include a five level public parking garage facility consisting of approximately 2,260 parking spaces and an additional 340 spaces of surface and structured parking located next to the adjacent retail development project for a total of approximately 2,600 parking spaces which will serve the retail project.

B. STATUS OF PARKING GARAGE CONSTRUCTION

According to Starwood Wasserman, the parking structure was built in phases. This was done to expedite the schedule and to provide an additional source of parking for the new Kaufmann's store, which was necessitated due to the requirement that the existing Kaufmann's store remain open until the completion and opening of the new Kaufmann's store. The initial phase of construction was completed on time and was opened for public parking on February 28, 2002.

The parking facility construction is referred to as a "Hybrid" system, utilizing a combination of structural steel and pre-cast concrete panels. The erection of the structural steel and the precast "T" beams were completed by the beginning of October 2002. Starwood Wasserman has reported that the second phase of construction was completed on October 22, 2002, providing an additional 1,000 spaces for the Kaufmann's store during the holiday season with one elevator operational to provide access between all levels. The remainder of the work, the electrical, lighting, elevators, etc. and finishes were complete and open for public use on June 1, 2003.

Work is complete on the remaining parking garage elevators. All the pedestrian bridges connecting the parking garage to the retail spaces are completed. Directional signage has been installed. The Security system is complete. All the punch list items have been addressed. The developer reports that the public parking garage was completed and opened for public use on June 1, 2003.

C. STATUS OF RETAIL FACILITY CONSTRUCTION

Starwood Wasserman has reported that the new Kaufmann's store was completed and opened for business on March 6, 2002. Starwood Wasserman has also reported that the Tops Supermarket was completed and opened for business on April 2, 2003.

Starwood Wasserman has reported that the exterior shell was turned over to Target on January 1, 2003, allowing them to commence their tenant fit-out work. The exterior and interior fit out work for the Target Store is complete. Starwood Wasserman has reported that the Target store opened for business on July 20, 2003. Starwood Wasserman has reported that work was completed on the exterior and roof of the Cedar Shops and the shops have opened.

Starwood Wasserman has reported that the following retailers opened for business on the dates provided below.

T.J. Maxx	May 15, 2003
Famous Footwear	May 24, 2003
Footlocker	May 31, 2003
Pier 1 Imports	May 31, 2003
Applebee's	June 30, 2003
JoAnn's	October 6, 2003
Catherine's	October 23, 2003
LeNails	February 9, 2004

Inland US Management, LLC has reported that the following retailers opened for business on the dates provided below.

Alltel	October 1, 2003
GNC	November 1, 2003
EB Game World	December 1, 2003
Key Bank	January 22, 2004
Coldstone Creamery	October 14, 2004

According to Starwood Wasserman, sitework and site improvements have been completed and are fully operational. All traffic signals and pylon signage is installed, and work on landscaping and irrigation is complete.

(i.) Leasing Status

Table III-1 below provides a list of those entities that are currently reported as tenants in University Square. Two parcels totaling 329,274 square feet have been sold to the Kaufmann's and Target Department stores. Inland US Management, LLC reports that Tops Supermarket vacated the anchor space and the lease was subsequently terminated. There is 235,131 square feet of leaseable space reserved for other retailers and restaurants. According to Inland US Management, LLC, 129,567 square feet or 55.1 percent of this space is now leased.

Inland US Management, LLC reports that efforts are currently underway to attract new tenants including interior ramps, re-signing of the parking garage to facilitate access and switching to angle parking instead of 90 degree parking. Additional marketing and engineering studies, which may result in some structural changes, are also currently under consideration.

**Table III-1
Status of Leasing**

<u>Status of Negotiations</u>	<u>Company</u>	<u>Square Footage</u>	<u>Percent</u>	<u>Lease Termination Date</u>
I. Owner Occupied Parcels				
Parcels Under Sale Contract	Kaufman's	164,684	26.52%	N/A
	Target	164,590	26.50%	N/A
<i>Total Owner Occupied:</i>		329,274	53.02%	
II. Leased Parcels				
Leases - Signed:	Famous Footwear	12,910	2.08%	12/31/13
	Applebee's	4,820	0.78%	12/31/23
	Le Nails	800	0.13%	12/31/18
	TJ Maxx N More	45,610	7.34%	12/31/13
	Key Bank	5,427	0.87%	12/31/13
	Catherine's	4,070	0.66%	12/31/13
	EB Game World	1,215	0.20%	12/31/08
	Alltel	1,510	0.24%	12/31/03
	Pier 1 Imports	12,132	1.95%	12/31/13
	Foot Locker	3,574	0.58%	12/31/13
	GNC	1,173	0.19%	12/31/13
	JoAnn Etc	35,094	5.65%	12/31/13
	Coldstone Creamry	1,232	0.20%	12/31/13
	<i>Subtotal:</i>	129,567	20.86%	
Negotiating Letter of Intent:		0	0.00%	N/A
	<i>Subtotal:</i>	0	0.00%	N/A
III. Remaining Leaseable Space				
Miscellaneous Retailers		162,159	26.11%	N/A
Total Development:		621,000	100.00%	

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2001A Bonds is The Bank of New York Trust Company, National Association (formerly J.P. Morgan Trust Company, National Association). The balance as of December 31, 2006, interest paid, disbursements, additional proceeds, and account balances for each fund, as of December 31, 2007, are shown by the following table:

Table IV-1

	12/31/06 Balance	Interest Paid	Additional Proceeds	Disbursements	12/31/2007 Balance
Rev Fund Assessment Account	(\$0)	\$63	\$0	\$3	\$60
Project Fund	\$71	\$4	\$0	\$0	\$74
Senior Capitalized Interest	\$2,170,210	\$102,832	\$0	\$5,533	\$2,267,510
Administrative Expense	\$0	\$15	\$110,236	\$110,251	\$0
Replacement & Improvement Fund	\$66,874	\$3,169	\$0	\$169	\$69,873
REV Fund Service Payment	\$441,978	\$48,138	\$3,657,584	\$2,849,354	\$1,298,346
Senior Interest Account	\$720	\$3,066	\$2,935,786	\$2,938,615	\$957
Subordinate Interest Account	\$3	\$2	\$11,996	\$12,000	\$1
Reserve Fund	\$3,737,449	\$210,420	\$0	\$211,574	\$3,736,295
TOTAL:	\$6,417,306	\$367,709	\$6,715,601	\$6,127,499	\$7,373,116

The additional proceeds to the administrative expense fund were transfers from the Revenue Fund Service Payments Account for the payment of administrative expenses. The additional proceeds to the Revenue Fund Service Payment Account were the receipt of service payment revenues collected by the county. The additional proceeds to the Senior Interest Account were transfers from the Revenue Fund Service Payment Account and the Debt Service Reserve Fund investment income for the payment of debt service. The additional proceeds to the Subordinate Interest Account were transfers from the Revenue Fund Service Payment Account for the payment of debt service. Disbursements from the Revenue Fund Service Payment Account were transfers to the Senior and Subordinate Interest Accounts for the payment of debt service.

Table IV-2 below shows the approximate rate of return on the investments. Bond proceeds in the Debt Service Reserve Fund are invested in a Bayerische Landesbank Guaranteed Investment Contract (GIC) earning 5.66 percent per year and maturing on December 1, 2031. The remaining bond proceeds are invested in U.S. Treasury money market instruments currently earning approximately 3.9 percent per annum.

During the construction period, investment income on the reserve fund will be applied to the construction account of the project fund. Afterwards, investment income on the reserve fund will be applied first to the senior interest account and then to the senior principal account in the senior bond fund to be credited against the next succeeding transfer from the revenue fund. Investment income on the senior and subordinate capitalized interest accounts will be transferred to the construction account of the project fund. Investment income on the replacement and improvement fund will remain in the fund and will be used for the purposes of such fund. Investment income on the administrative expense fund will remain in the fund and will be used to pay administrative expenses. Investment income on the project fund will remain in the fund unless an authorized officer certifies that amounts then on deposit are not expected to be expended, at which time surplus proceeds will be transferred to the senior bond fund to redeem principle or pay interest on the bonds. Investment income on the cost of issuance account will remain in the account until it is closed, which took place in May 2002, when the remaining balance was transferred to the project fund.

Table IV-2

Account	Rate of Return
Senior Capitalized Interest	3.90%
Replacement & Improvement Fund	3.90%
Rev Fund Service Payment	3.91%
Senior Interest Account	3.90%
Reserve Fund	5.66%

V. DISTRICT OPERATIONS

A. ANNUAL SPECIAL ASSESSMENT AS ABATED

The Cleveland-Cuyahoga County Port Authority issued \$40,500,000 of senior special assessment/tax increment revenue bonds in December 2001 related to the University Height's Public Parking Garage Project. The bonds are to be repaid from service payments, which are payments in lieu of taxes (PILOTS), in an amount equal to the increase in real property taxes, and to the extent service payments are not sufficient, special assessments levied on the taxable property in the University Height's Special Assessment District.

An annual assessment equal to \$4,000,000 has been levied each fiscal year for thirty years pursuant to Ordinance Number 2001-66, dated as of September 4, 2001, Resolution Number 2001-64 and a petition filed by the property owners, dated as of September 4, 2001. The annual assessment is to be abated such that the amount actually collected is the amount required to pay annual debt service and other expenses, after taking into consideration service payments and other funds available for that purpose.

(i.) Annual Required Installment

Annual special assessments have been levied in thirty annual consecutive installments of \$4,000,000 each, commencing not later than Calendar Year 2004, and abated to such an amount sufficient to pay the annual required installment each year. The annual required installment is defined in Section 13.02(c) of the Trust Indenture as "aggregate period debt service and administrative requirements, less total available assets." Aggregate period debt service and the administrative requirement is substantially defined as (i.) total debt service charges due and payable with respect to the Senior Bonds on December 1 following the calculation date (i.e., August 20th of each year), plus (ii.) total debt service charges due and payable on the Senior Bonds during the next calendar year, plus (iii.) total administrative expenses estimated by the Administrator to be due and payable from the calculation date through December 31st of the next calendar year together with any other administrative expenses that may be due and have not been paid at the time such amounts are certified by the Administrator, plus (iv.) any amounts required to replenish any deficiency in the Reserve Requirement at the time such amounts are certified by the Administrator, plus (v.) any fees or costs attributable to the provision of a letter of credit or insurance policy to fund all or a portion of the Reserve Requirement, plus (vi.) an amount equal to 3 percent of the amount described in clause (ii) of this definition.

Total available assets is substantially defined as the sum of (i.) the value of the amounts held in the Bond Fund, Revenue Fund, Administrative Expense Fund, Surplus Fund, and the Senior Capitalized Interest & Subordinate Capitalized Interest Accounts of the Project Fund, on the calculation date, plus (ii.) the estimated service payments to be received between the calculation date and November 30th of the following year, plus (iii.) the amount of any assessment payments to be made from the calculation date through November 30th of the calendar year in which the calculation is made, plus (iv.) investment income earned on bond proceeds in the Reserve Fund from the calculation date through November 30th of the succeeding calendar year, plus (v.) any additional revenues, other than those previously mentioned, that are identified by the Issuer to be available, less (vi.) any amounts estimated by the Administrator to be payable to the Cleveland Heights-University Heights City School District pursuant to the trust indenture for the bonds, and (vii.) any debt service charges to be paid on the Subordinate Bonds.

Table V-I provides a summary of the annual required installment for the 2007 fiscal year. Total available assets will be sufficient to pay aggregate period debt service and the administrative requirement. Accordingly, the annual required installment for the 2007 taxable year is zero and annual special assessments will be fully abated for this year. Each of these numbers is explained in the following sections.

(ii.) Aggregate Period Debt Service and Administrative Requirements

Debt Service on the Senior Bonds

Debt service on the Senior Bonds includes interest payments of \$1,469,221 due on December 1, 2007, June 1, 2008 and December 1, 2008. These payments equal interest on the outstanding principal amounts of \$10,945,000 and \$29,555,000 for six months at an annual interest rate of 7.00 percent and 7.35 percent, respectively. There is no principal payment due on December 1, 2007. But there is a principal payment of \$695,000 due on December 1, 2008. As a result, total debt service on the Senior Bonds is \$5,102,664.

Port Authority Fee

The annual fee of the Port Authority is equal to 0.25% of the principal amount of the bonds outstanding. The amount of bonds outstanding is \$40,500,000. As a result, the annual fee of the Port Authority for 2007 and 2008 is equal to \$101,250, resulting in total fees due to the Port Authority through December 31, 2008 of \$202,500.

Administrative Expenses

Administrative expenses (other than the fee to the Port Authority) include the trustee and the administrator. The annual charges of the trustee are estimated to be \$5,000. The fees and expenses of the administrator are estimated to be \$10,000, plus an additional \$1,250 for arbitrage rebate services. Accordingly, total administrative expenses for fiscal year 2007 are estimated to be \$16,250.

The budget for administrative expenses (other than the fee to the Port Authority) for fiscal year 2006 was \$16,250. As of June 30, 2007, \$8,750 in administrative expenses had been paid, resulting in a balance of \$7,500 that will need to be funded in fiscal year 2007. According to the trustee and the Port Authority, there are no additional outstanding invoices from fiscal year 2006 that must be funded in fiscal year 2007. Accordingly, aggregate administrative expenses for fiscal years 2006 and 2007 are estimated to be \$23,750.

Contingency

A contingency equal to three percent of annual debt service on the Senior Bonds due in 2008 is included as required by the definition of Aggregate Period Debt Service and Administrative Requirements.

Table V-1
Annual Required Installment

<i>Aggregate Period Debt Service and Administrative Requirements</i>	
Interest on Senior Bonds, December 1, 2007	\$1,469,221
Principal on Senior Bonds, December 1, 2007	\$0
Interest on Senior Bonds, June 1, 2008	\$1,469,221
Interest on Senior Bonds, December 1, 2008	\$1,469,221
Principal on Senior Bonds, December 1, 2008	\$695,000
<i>Sub-total debt service</i>	\$5,102,664
Port Authority Fee	\$202,500
Administrative Expenses	\$23,750
Contingency	\$109,003
<i>Total aggregate period debt service and administrative requirements</i>	\$5,437,917
<i>Total Available Assets</i>	
Senior interest account	(\$185)
Revenue fund service payment account	(\$441,516)
Administrative expense fund	(\$14)
Surplus fund service payment account	\$0
Surplus fund assessment account	\$0
Senior capitalized interest account	(\$2,219,126)
Subordinate capitalized interest account	(\$2)
Less: Debt service charges on the subordinate bonds	\$18,000
Estimated service payments to be collected in 2008	(\$2,514,593)
Service payments collected in 2007	(\$2,313,034)
Service payments collected in prior years held by the city	(\$2,188,363)
Less: refund due to parcel 721-01-003	\$2,795,324
Less: refund due to parcel 721-01-002	\$1,894,578
Available reserve fund investment income at June 30, 2007	(\$209,750)
Reserve fund investment income through December 1, 2008	(\$308,479)
<i>Total available assets</i>	(\$5,487,158)
Annual Required Installment	\$0

(iii.) Total Available Assets

Senior Interest Account

As of June 30, 2007, the balance in the senior interest account was \$185. These funds will be used to pay a portion of the debt service payment of \$1,469,221.25 due on the senior bonds on December 1, 2007.

Revenue Fund Service Payment Account

As of June 30, 2007, the balance in the revenue fund service payment account was \$441,516. These funds will be used to pay a portion of the debt service payment of \$1,469,221.25 due on the senior bonds on December 1, 2007.

Administrative Expense Fund

As of June 30, 2007, the balance in the administrative expense fund was \$14. These funds will be used to pay a portion of the remaining administrative expenses for the current year.

Surplus Fund Service Payment Account

As of June 30, 2007, the balance in the surplus fund service payment account was zero. As a result, there are no funds available in the surplus fund service payment account to pay the annual special assessment for 2008.

Surplus Fund Assessment Account

As of June 30, 2007, the balance in the surplus fund assessment account was zero. As a result, there are no funds available in the surplus fund assessment account to pay the annual special assessment for 2008.

Senior Capitalized Interest

As of June 30, 2007, the balance in the senior capitalized interest account was \$2,219,125.96. These funds may be made available to pay a portion of the debt service due on the senior bonds in the amount of \$1,469,221 on June 1, 2008 and the debt service due on the senior bonds in the amount of \$2,164,221 on December 1, 2008.

Subordinate Bonds

Debt service on the subordinate bonds includes interest payments of \$6,000 due on December 1, 2007, June 1, 2008 and December 1, 2008. These payments equal interest on the outstanding principal amount of \$100,000 for six months at an annual interest rate of 12.0%. There are no principal payments due on December 1, 2007 and December 1, 2008. As a result, total debt service on the Subordinate Bonds is \$18,000.

The balance in the subordinate capitalized interest account as of June 30, 2007 was \$2. These funds will be used to pay a portion of the debt service payment of \$6,000 due on the subordinate bonds on December 1, 2007.

Estimated Service Payments

Pursuant to Ordinance Number 2001-28, dated as of April 16, 2001, the improvements to the property within the district are exempt from real property taxation for a period of thirty years. However, according to the terms of the TIF Agreement, dated April 30, 2001, the developer has agreed to make service payments, together with all interest and penalties thereon for nonpayment of such service payments, for a period of thirty years in lieu of said exempt taxes, and the service payments shall be in an amount equal to the taxes that would have been levied had the

improvements not been exempt from taxation.

The definition of Total Available Assets provides for service payments to be estimated based on “the most current value of properties as estimated by the Cuyahoga County Auditor as of the Calculation Date.” By the first day of October of the year prior to taxes being collected, the county auditor must prepare the final tax list, which assigns the true value of the parcels within the special assessment district. Excluding the public parking garage parcel (721-01-003), the estimated true value of the taxable property in the district as of January 1, 2006 was \$87,394,200, which includes a true value of \$24,436,500 for the Kaufmann parcel (721-01-002) owned by the May Company. According to the Cuyahoga County Board of Revision, the May Company filed a Complaint Against the Valuation of Real Property on the Kaufmann parcel for the 2006 tax year on March 27, 2007. According to the complaint, the property owner’s opinion as to the value of the parcel should be reduced to \$11,000,000. According to the Cuyahoga County Board of Revision, a decision on the complaint has not yet been provided by the State of Ohio Board of Tax Appeals. In order to be conservative, however, service payments to be collected in 2008 will be estimated on the reduced value of \$11,000,000. As a result, the aggregate true value for the property within the district is estimated to be \$73,957,700. This value is used as “the most current value” for purposes of estimating the service payments.

Excluding the public parking garage parcel (721-01-003), the true value of the taxable property in the special assessment district for the base year was equal to \$4,371,600. The incremental assessed value is, therefore, estimated to equal \$69,586,100 (\$73,957,700 - \$4,371,600 = \$69,586,100). Taxable property in Ohio is assessed at a rate of 35 percent of true value, resulting in an assessed value of \$24,355,135 on the incremental value, as shown in the table below.

Table V-2
Estimated Service Payments
Collected in 2008

Estimated True Value @ 01/01/06	\$73,957,700
Base Year True Value	\$4,371,600
Incremental Value	\$69,586,100
Assessed Value @ 35% of True Value	\$24,355,135
Real Property Tax Rate per \$1000 of Assessed Value	103.246927 mils
Estimated Service Payments	\$2,514,593

According to the County Auditor’s Office, the real property tax rate for Cleveland-Cuyahoga County in fiscal year 2006 was 103.246927 mils per \$1,000 of assessed value. For fiscal year 2007, the same real property tax rate of 103.246927 mils per \$1,000 of assessed value will be used. Accordingly, and as shown in the table above, based on the 35 percent assessment of the incremental true value of the taxable property in the district and the real property tax rate, service payment revenues are estimated to be equal to \$2,514,593 for fiscal year 2007.

Service Payments Collected in Prior Year

According to the Cuyahoga County Auditor’s Office, service payments collected in 2007 are estimated to be \$3,782,255, which includes \$782,112 in service payments collected on parcel 721-01-003 (the public parking garage parcel). The Cuyahoga County Auditor’s Office has reported

transferring \$1,891,128 in first half 2007 service payments to the City of University Heights in May 2007. Of this amount, the city transferred \$1,469,221 to the trustee in May 2007. As a result, the city is holding \$421,907 in first half 2007 service payments that should be transferred to the trustee prior to the next debt service payment on December 1, 2007. The county anticipates transferring to the city the estimated second half service payments in the amount of \$1,891,128 after the second half settlement, which should be by October 31, 2007. Accordingly, the remaining service payments collected in 2007 to be transferred to the trustee prior to the next debt service payment on December 1, 2007 are estimated to be \$2,313,034 ($\$421,907 + \$1,891,128 = \$2,313,034$).

The Cuyahoga County Auditor's Office previously reported transferring \$2,188,363 in service payments collected in 2006 to the City of University Heights in May 2006. This includes \$362,312 in prior year second half 2005 service payments on parcel 721-01-003 (the public parking garage parcel). According to the City of University Heights, these funds were to have been transferred to the trustee by September 1, 2006. A review of the account statements provided by the trustee, however, indicates that this transfer never took place. The administrator has contacted the city to request that the transfer be made and has confirmed with the trustee that these funds were received on August 23, 2007.

On December 27, 2002, Starwood Wasserman University Heights Holding, LLC filed an application for a real property tax exemption on the parking garage parcel (PIN 721-01-003) with the State of Ohio for the tax years 2001 and 2002. On the same date, University Square Parking, LLC filed an application for a real property tax exemption on the parking garage parcel with the State of Ohio for the tax years 2002, 2003 and beyond. These applications are based upon the fact that the parking garage parcel is owned by the Cleveland Cuyahoga County Port Authority, an entity whose property is tax exempt. On December 14, 2004, the Ohio Department of Taxation denied the first application because property for which an applicant seeks exemption from real property taxation must have been owned by the applicant and used for an exempt purpose as of the tax lien date, January 1st, in the year in which exemption is sought. Since the applicant did not acquire title to the property or the property was not used for an exempt purpose until March 29, 2002, the Ohio State Department of Taxation denied the application for the 2002 tax year. According to the Cuyahoga County Auditor's Exemption Division, subsequent applications have also been denied on March 31, 2005 and September 6, 2006 because the owner of record is a for profit entity (University Square Parking, LLC). We anticipate that a fourth application will be submitted, which will be approved for the 2003 and subsequent tax years. As a result, service payments equal to \$2,795,324 (\$450,073 for the 2003 tax year, \$725,224 for the 2004 tax year, \$837,915 for the 2005 tax year and \$782,112 for the 2006 tax year) will be refunded to the property owner when the application is approved. (Service payments were not collected for the 2001 tax year.)

According to the Cuyahoga County Board of Revision, a decision has been reached on the challenge to the valuation of real property that was filed for the 2002 tax year on parcel 721-01-002, which is owned by the May Company Department Stores. The Board of Revision found that the true value of the property for the 2002 tax year was equal to \$15,000,000, which is a reduction of \$8,000,000 in the true value for the 2002 tax year. On November 4, 2004, the County issued a refund check in the amount of \$257,955 for a portion of the estimated \$286,617 service payments collected for the 2002 tax year.

On August 12, 2005, the Cuyahoga County Board of Revision reached a decision on the challenge to the valuation of real property that was filed for the 2003 tax year on parcel 721-01-002. The Board of Revision found that the true value of the property for the 2003 tax year was equal to \$15,000,000, which is a reduction of \$9,394,600 in the true value for the 2003 tax year. An appeal was filed by the property owner on September 1, 2005 contesting the revised true value of

\$15,000,000. According to the Cuyahoga County Board of Revision, this appeal was dismissed by the Ohio State Board of Tax Appeals. On December 1, 2006, the May Company, the Board of Education and Cuyahoga County filed a Stipulation with the Ohio State Board of Tax Appeals, which is a mutual agreement reducing the true value on parcel 721-01-002 for the 2003, 2004 and 2005 tax years from \$24,394,600 to \$12,000,000. According to the Cuyahoga County Board of Revision, the Ohio State Board of Tax Appeals approved the Stipulation on January 5, 2007. As a result, service payments for 2003, 2004 and 2005 will be reduced in an amount equal to the estimated refund for the overpayment in those years of \$443,376, \$459,429 and \$477,565, respectively, on parcel 721-01-002.

As mentioned above, on March 27, 2007 the May Company filed a Complaint Against the Valuation of Real Property on the Kaufmann parcel (721-01-002) for the 2006 tax year. According to the Cuyahoga County Auditor, the true value of this parcel for the 2006 tax year was listed as \$24,436,500. According to the Complaint Against the Valuation of Real Property filed by the property owner, the true value should be \$11,000,000. To be conservative, service payments for 2006 will be reduced in an amount equal to the estimated refunds for the overpayments in 2006 on parcel 721-01-002 of \$485,547. As a result, the estimated total refund on parcel 721-01-002 for the 2002, 2003, 2004, 2005 and 2006 tax years, less the refund of \$257,955 for the 2002 tax year already paid, is \$1,894,578 ($\$286,617 - \$257,955 + \$443,376 + \$459,429 + \$477,565 + \$485,547 = \$1,894,578$).

Reserve Fund Interest Income

According to Section 5.05 of the Trust Indenture, investment income earned on the reserve fund prior to the earlier of the completion date or December 1, 2004 shall be transferred when earned to the construction account of the project fund. According to the developer, construction is complete on the parking garage structure and the developer has submitted documents certifying that construction is complete, which has authorized the transfer of interest income from the reserve fund to the senior interest account to pay debt service. As a result, interest income earned on the reserve fund is assumed to be available to pay the annual required installment for 2008.

As of June 30, 2007, the balance in the reserve fund was \$3,843,192, which includes the reserve requirement of \$3,633,443 and available investment income of \$209,750, which may be transferred to pay debt service on the bonds. Bond proceeds in the amount of \$3,633,442 are invested in a Bayerische Landesbank Repurchase Agreement (REPO) earning 5.66 percent per annum and maturing on December 1, 2031. Interest is paid semi-annually in November and May of each year. As a result, \$308,479 in investment income is estimated to be earned on the reserve fund and made available to pay debt service on the bonds through December 1, 2008. Accordingly, aggregate available investment income on the reserve fund is estimated to be \$518,229 ($\$209,750 + \$308,479 = \$518,229$).

Summary

Aggregate period debt service and administrative expenses are estimated to be equal to \$5,437,917. Total available assets are estimated to be equal to \$5,487,158, resulting in an estimated surplus of \$49,241. As a result, special assessments to be collected in 2008 will be fully abated.

B. SPECIAL ASSESSMENTS LEVIED AND COLLECTED

Special assessments were fully abated for fiscal years 2003 through 2006. As a result, there are no delinquent special assessments for fiscal years 2003 through 2007.

C. DELINQUENT PROPERTY TAXES

According to the Cuyahoga County Auditor's Office website, service payments to be collected in 2008 are estimated to be \$3,366,473, which is \$881,880 greater than what was estimated (\$2,514,593) in the annual assessment levy report as shown in section (A) above. The difference between the estimated service payments and the actual service payments is explained by the lower value used in calculating the estimated service payments on Parcel No. 721-01-002 and the changes in the ad valorem tax rates, which were not available at the time the annual assessment report was prepared. According to the Cuyahoga County Auditor's Office website, as of February 13, 2008, \$1,683,236 in first half 2007 service payments were collected from the property owners within the development site, representing 100 percent of first half service payments due. These service payments are expected to be disbursed to the city and transferred to the trustee before the next debt service payment on June 1, 2008. The second half service payments are due on July 9, 2008. As a result, there are no delinquent service payments at this time.

D. COLLECTION EFFORTS

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

VI. DISTRICT FINANCIAL INFORMATION

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

All information in this section is provided as of December 31, 2007, 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 the Service Payments or Special Assessments by the Port Authority since the bonds were issued.

C. CHANGES IN THE AD VALOREM TAX RATES

According to the Cuyahoga County Auditor's Office, the effective millage rate has decreased from 103.246927 for 2006 to 110.058616 per \$1,000.00 of assessed value for 2007.

D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

As of January 1, 2007, excluding the tax exempt public parking garage parcel, the true value of the taxable property within the development site was \$87,394,200. Excluding the tax exempt public parking garage parcel, the base year true value was \$4,371,600. As shown in the table below, taxable property in Ohio is assessed at a rate of 35 percent of true value, resulting in base year, 2007, and incremental assessed values of \$1,530,060, \$30,588,000, and \$29,057,940, respectively.

**Table VI-1
Market, Assessed and Incremental Values**

Parcel Number	Current Use	Base Year True Value	2007 True Value	Base Year Assessed Value	2007 Assessed Value	Incremental Assessed Value
721-01-001	In-line Retail Stores	\$1,411,700	\$41,919,700	\$494,095	\$14,671,900	\$14,177,805
721-01-002	The May Co. Store	\$415,200	\$24,436,500	\$145,320	\$8,552,780	\$8,407,460
721-01-003	Parking Garage	Exempt	Exempt	Exempt	Exempt	Exempt
721-01-004	Target Store	\$154,400	\$15,380,100	\$54,040	\$5,383,040	\$5,329,000
721-01-064	National City Bank	\$662,700	\$864,700	\$231,945	\$302,650	\$70,705
721-01-147	Medical Clinic and Offices	\$1,324,200	\$2,231,900	\$463,470	\$781,170	\$317,700
721-01-301	Vacant land	\$403,400	\$2,561,300	\$141,190	\$896,460	\$755,270
Total		\$4,371,600	\$87,394,200	\$1,530,060	\$30,588,000	\$29,057,940

E. DISTRICT FINANCING PAYMENTS LEVIED

Special assessments were fully abated in fiscal year 2007. As a result, there are no delinquent special assessments at this time.

F. STATUS OF COLLECTION OF AD VALOREM AND FINANCING PAYMENTS

According to the Cuyahoga County Auditor's Office, property taxes are paid semi-annually and are due on January 23, 2008 and July 9, 2008. According to the Cuyahoga County Auditor's Office website, service payments to be collected in 2008 are estimated to be \$3,366,473, which is \$881,880 greater than what was estimated (\$2,514,593) in the annual assessment levy report as shown in section (A) above. The difference between the estimated service payments and the actual service payments is explained by the lower value used in calculating the estimated service payments on Parcel No. 721-01-002 and the changes in the ad valorem tax rates, which were not available at the time the annual assessment report was prepared. According to the Cuyahoga County Auditor's Office website, as of February 13, 2008, \$1,683,236 in first half 2007 service payments were collected from the property owners within the development site, representing 100 percent of first half service payments due. These service payments are expected to be disbursed to the city and transferred to the trustee before the next debt service payment on June 1, 2007. The second half service payments are due on July 9, 2008. As a result, there are no delinquent service payments at this time.

G. ASSESSED VALUE APPEALS

On December 27, 2002, Starwood Wasserman University Heights Holding, LLC filed an application for a real property tax exemption on the parking garage parcel (PIN 721-01-003) with the State of Ohio for the tax years 2001 and 2002. On the same date, University Square Parking, LLC filed an application for a real property tax exemption on the parking garage parcel with the State of Ohio for the tax years 2002, 2003 and beyond. These applications are based upon the fact that the parking garage parcel is owned by the Cleveland Cuyahoga County Port Authority, an entity whose property is tax exempt. On December 14, 2004, the Ohio Department of Taxation denied the first application because property for which an applicant seeks exemption from real property taxation must have been owned by the applicant and used for an exempt purpose as of the tax lien date, January 1st, in the year in which exemption is sought. Since the applicant did not acquire title to the property or the property was not used for an exempt purpose until March 29, 2002, the Ohio State Department of Taxation denied the application for the 2002 tax year. According to the Cuyahoga County Auditor's Exemption Division, subsequent applications have also been denied on March 31, 2005 and September 6, 2006 because the owner of record is a for profit entity (University Square Parking, LLC). We anticipate that a fourth application will be submitted, which will be approved for the 2003 and subsequent tax years. As a result, service payments equal to \$2,795,324 (\$450,073 for the 2003 tax year, \$725,224 for the 2004 tax year, \$837,915 for the 2005 tax year and \$782,112 for the 2006 tax year) will be refunded to the property owner when the application is approved. (Service payments were not collected for the 2001 tax year.)

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refund check in the amount of \$257,955 for a portion of the estimated \$286,617 service payments collected for the 2002 tax year.

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As mentioned above, on March 27, 2007 the May Company filed a Complaint Against the Valuation of Real Property on the Kaufmann parcel (721-01-002) for the 2006 tax year. According to the Cuyahoga County Auditor, the true value of this parcel for the 2006 tax year was listed as \$24,436,500. According to the Complaint Against the Valuation of Real Property filed by the property owner, the true value should be \$11,000,000. To be conservative, service payments for 2006 will be reduced in an amount equal to the estimated refunds for the overpayments in 2006 on parcel 721-01-002 of \$485,547. As a result, the estimated total refund on parcel 721-01-002 for the 2002, 2003, 2004, 2005 and 2006 tax years, less the refund of \$257,955 for the 2002 tax year already paid, is \$1,894,578 ($\$286,617 - \$257,955 + \$443,376 + \$459,429 + \$477,565 + \$485,547 = \$1,894,578$).

H. PROPERTY OWNERSHIP

According to the tax record maintained by Cuyahoga County, the list of property owners responsible for more than five percent of the levy of service payments are shown in Table VI-2 below.

**Table VI-2
Property Ownership
As of January 1, 2007**

Parcel Number	Current Owner	2007 Service Payments	Percent
721-01-001	Inland Western University Heights	\$1,614,769	47.97%
721-01-002	The May Department Store Co.	\$941,307	27.96%
721-01-004	Target Corp	\$592,450	17.60%
Total		\$3,366,473	100.00%

I. LAND USE AMMENDMENTS

The developer reports that as of December 31, 2007, there have been no significant amendments to land use entitlements or legal challenges to the construction of the project.

J. CHANGES TO PROJECT AND DEVELOPMENT STATUS

The developer reports that as of December 31, 2007, no changes have been approved by the Port Authority relating to the status of development of the project to be constructed from those stated in the Cooperative Agreement.

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 Starwood Wasserman University Heights Holding, LLC regarding the occurrence of any significant event and they have reported that no significant events have occurred as of December 31, 2007.

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 (February 14, 2008).