

**\$92,850,000**  
**PENINSULA TOWN CENTER COMMUNITY DEVELOPMENT AUTHORITY**  
**SPECIAL OBLIGATION BONDS, SERIES 2007**

**DEVELOPER'S CONTINUING DISCLOSURE STATEMENT**

Attn: Keenan Rice  
MuniCap, Inc.  
6760 Alexander Bell Drive, Ste 220  
Columbia, MD 21046

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement") dated as of September 1, 2007 by and between the undersigned, (i) Peninsula Town Center, LLC (the "Developer") and (ii) MuniCap, Inc. (the "Administrator"), the Developer hereby provides the following information as of December 31, 2008. All terms having initial capitalization and not defined herein shall have the meanings set forth in a Limited Offering Memorandum dated August 29, 2007.

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 December 31, 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:

**1) Completion of the Improvements:**

**A) Improvements Budget:**

Budget Item	Total Project Budget	Private Funding (Loan & Equity)		CDA Funding		Total Funded	Remainder to be Funded
		Budget	Funded	Budget	Funded		
00 Land Acquisition	59,889,059	21,068,418	16,482,330	38,820,641	39,226,876	55,709,206	4,179,853
01 Site Work	24,699,090	14,788,709	8,595,176	9,910,381	15,178,898	23,774,074	925,016
02 Site Development	12,851,897	3,632,925	6,805,110	9,218,972	4,892,916	11,698,026	1,153,871
03 Core Construction	75,110,353	66,338,340	45,740,240	8,772,013	7,423,317	53,163,557	21,946,796
04 Tenant Build-Out	42,281,525	42,281,525	705,779	-	-	705,779	41,575,746
05 Hard Cost Contingency	12,382,407	12,382,407	-	-	-	-	12,382,407
06 Operations/Marketing	3,805,000	3,805,000	511,100	-	-	511,100	3,293,900
07 Leasing Costs	6,731,244	6,731,244	2,870,908	-	-	2,870,908	3,860,336
08 Planning Costs	9,341,325	9,341,325	8,466,422	-	-	8,466,422	874,903
09 Development Costs	9,210,467	9,210,467	6,838,584	-	-	6,838,584	2,371,883
10 Construction Admin.	3,096,148	3,096,148	1,959,423	-	-	1,959,423	1,136,725
11 Real Estate Taxes	1,400,000	1,400,000	-	-	-	-	1,400,000
12 Carrying Costs	1,599,500	1,599,500	1,345,320	-	-	1,345,320	254,180
13 Finance Costs	11,922,000	11,922,000	4,248,790	-	-	4,248,790	7,673,210
14 Soft Cost Contingency	1,783,746	1,783,746	-	-	-	-	1,783,746
<b>15 TOTAL COST</b>	<b>276,103,761</b>	<b>209,381,754</b>	<b>104,569,182</b>	<b>66,722,007</b>	<b>66,722,007</b>	<b>171,291,189</b>	<b>104,812,572</b>

\* Budget format has been updated to combine all Private Funding Sources. This eliminates confusion related to the HSBC bridge loan and funding categories.

\*\* This budget is based on the December Draw request submitted to HSBC and does include some items funded by HSBC after 12/31/2008.

\*\*\* All available CDA Funding has been used as of the end of Q4 2008. All remaining CDA scope is being funded via private sources which was budgeted.

\*\*\*\* Detailed information on the current status of the Construction Loan is documented on Page 3 of this report.

## 2) **Status of Construction**

### **A) Status of road improvements:**

The first blocks adjoining city streets are complete at Kilgore, Von Schilling, Executive, Cary, and Merchant Lane, Allainby, McMEnamin, except for final lift of Asphalt. The rest of those streets as well as Downey Green, Hartford, and Holt are at final rough grade and gravel base on all streets is approximately 90% complete. Final asphalt lift on Cary and Merchant around JCPenney is complete. Offsite road improvements by City of Hampton are 95% complete. Offsite Right of Way improvements by PTC are 98% complete. Sidewalks along Executive Dr, Cunningham Dr, and around the parking garage and buildings A1, A2, C1, C2, D, E, F and J are complete. Curbs around Building B are complete and sidewalks are under construction.

### **B) Status of water infrastructure:**

Water mains in northern and eastern sides of project were previously noted to be complete. Lines on south and west sides are 95% complete. Laterals to buildings are 90% complete. Water meters are in place at JC Penney, and Buildings A1, A2, B, C1, C2, D, E, F, H, and J. All approvals have been granted by Newport News Water Works.

### **C) Status of sanitary sewer infrastructure:**

Sanitary sewer lines in northern and eastern sides of project were previously noted to be complete. Lines on south and west sides are complete. Laterals to buildings are complete. All approvals have been granted.

### **D) Status of storm water management systems:**

Phase 1A (northern and eastern perimeter of site) was previously noted to be complete. Phase 1B (the rest of the site) is 98% complete. Work is 90% complete on storm sewer south and west of the Target Building pad.

### **E) Status of streetscape, landscape, electricity, recreation and other infrastructure and private utilities developments:**

Electrical and communications duct bank was previously noted to be complete in Phase 1A and is now 95% complete in Phase 1B. Virginia Dominion power has completed their design and is on schedule. Landscape and streetscape work is 95% complete on Phase 1A (north and east of the site) and totally done around JC Penney, C1, and C2 within the Phase 1A area. Street lighting has been installed around JC Penney. Street lights are 80% complete throughout the site. 100% of streetscape and landscaping is under contract. Children's Park and Town Square Park are 50% complete.

### **F) Status of parking structure:**

The parking garage is complete. Punchlist work is underway and Temporary Certificate of Occupancy has been granted. Pedestrian bridge is installed and 50% complete.

**G) Status of construction of buildings/stores:**

JC Penney is open. C1 and C2 are complete. Buildings A1, A2, D, E, and J are 99% complete. Bldg. F shell construction is complete and tenant fitout work began 10/6/08. Bldg B is 80% complete. Bldg. H is 80% complete. Buildings L and M are approximately 80% complete. Bldg. G is 35% complete.

**3) Status of Financing**

**A. Loans Secured by Property within the District:**

**HSBC – Construction Loan:**

- Loan Amount: \$168,500,000
- Amount drawn through 12/31/08: \$61,948,837
- Amount repaid through 12/31/08: \$0.00
- Balance at 12/31/08: \$61,948,837
- Interest rate: 3.38%

**B. Event of Default on any Loan:** The developer has not received formal written notice and is not aware of any default on any loan secured by property within the district.

**C. Liens:** No other liens exist for borrowed money secured by the property owned by the Developer in the district.

**4) Status of the Target Parcel:**

The Target deal closed on 9/29/08. Target accepted the certified pad and their construction team began mobilizing on site the following day to begin working on foundations. Building is 60% complete and site improvements 50% complete and on schedule. The store will open on July 26, 2009.

5) **Government Permits and Approvals:**

Permit/Approval	Approval Status	Projected Date of Approval	Permitting Agency
Erosion and Sediment Control Permit	Yes	N/A	City of Hampton
Demolition Permit – Phases 1A and 1B	Yes	N/A	City of Hampton
Right of Way Permit - onsite roadway and utilities within Phases 1A and 1B	Yes	N/A	City of Hampton
Site Plumbing Permit - Phases 1A and 1B	Yes	N/A	City of Hampton
Fire Department Approval – Demolition and Infrastructure Plans -	Yes	N/A	City of Hampton
Land Disturbing Permit	Yes	N/A	City of Hampton
Water Approval – Construction Drawing and Water main Alignment – Phase 1A	Yes	N/A	Newport News Water Works
Waste Water System Permit - Phases 1A and 1B	Yes	N/A	Virginia Department of Environmental Quality (VDEQ)
Offsite Roadway Improvement Design	Yes	N/A	City of Hampton
Final Subdivision Plat Approval	Yes	N/A	City of Hampton
Traffic Engineering	Yes	N/A	City of Hampton
Demolition Permit – existing mall	Yes	N/A	City of Hampton
Right of Way Permit	Yes	N/A	City of Hampton
Site Storm and Sanitary Sewer Permit	Yes	N/A	City of Hampton
Fire Department Approval – Water main and Fire Hydrant Layout -	Yes	N/A	City of Hampton Fire Department
Water Approval – Construction Drawing and Water main Alignment – Phase 1B	Yes	N/A	Newport News Water Works
Other Permits and Approvals Land disturbance and Soil conservation	Yes	N/A	State of VA, City of Hampton

6) **Status of Lease:**

Leasing momentum continues to progress. All three Department Stores deals are now fully executed totaling 420,733 square feet of retail space. A total of 122,605 square feet of in-line retail space is now committed with 66,076 square feet of that amount having fully executed leases. A total of 25,184 square feet of restaurant space is committed with 9,269 square feet of that amount having fully executed leases. Combining department stores, in-line retail, cinema, and restaurant space the project has approximately 907,633 square feet of space of which 568,522 square feet (63%) has been committed via executed leases or signed LOI's.

Currently there are ten apartments that have been pre-leased. Final leases will not be executed until construction of the building is complete, but deposits have been submitted for all ten units.

**Status of Lease:**

Tenant	Leasable Space (S.F.)	Lease Term	Lease Status	Anticipated Opening	Percentage of Leaseable Space
<b>Department Stores</b>					
Macy's Department Store	174,000		Executed Lease	Open	17.2%
J.C Penny Department Store	103,833		Executed Lease	Open	10.3%
Target Department Store	142,900		Executed Land Sale	Jul-09	14.1%
<b>Sub-total – Department Stores</b>	<b>420,733</b>				<b>41.5%</b>
<b>In-Line Retail Stores (Please List)</b>					
Barnes & Noble	29,561	10 years	Executed Lease	Grand Opening	2.9%
Lane Bryant	7,400	10 years	Executed Lease	Grand Opening	0.7%
Lenscrafters	4,200	10 years	Executed Lease	Grand Opening	0.4%
Sunglasses Hut	1,197	10 years	Executed Lease	Grand Opening	0.1%
Lee Spa Nails (A building)	1,587	10 years	Executed Lease	Grand Opening	0.2%
Lee Spa Nails (H building)	1,285	10 years	Executed Lease	Grand Opening	0.1%
Victoria's Secret	8,000	10 years	Executed Lease	Grand Opening	0.8%
Bath and Body Works	3,000	10 years	Executed Lease	Grand Opening	0.3%
Kay Jewelers	1,694	10 years	Executed Lease	Grand Opening	0.2%
Gamestop	1,770	10 years	Executed Lease	Grand Opening	0.2%
Cache	1,868	10 years	Executed Lease	Grand Opening	0.2%
Sports Fan	1,623	10 years	Executed Lease	Grand Opening	0.2%
Finish Line	2,891	10 years	Executed Lease	Grand Opening	0.3%
The Limited	4,000	10 years	LOI / under negotiation	Grand Opening	0.4%
Chico's	3,501	10 years	LOI / under negotiation	Grand Opening	0.3%
Forever XXI	25,448	10 years	LOI / under negotiation	Grand Opening	2.5%
Hollister	6,667	10 years	LOI / under negotiation	Grand Opening	0.7%
Aeropostale	3,700	10 years	LOI / under negotiation	Grand Opening	0.4%
Gymboree	1,800	10 years	LOI / under negotiation	Grand Opening	0.2%
Journey's	1,623	10 years	LOI / under negotiation	Grand Opening	0.2%
Express	6,598	10 years	LOI / under negotiation	Grand Opening	0.7%
Jule	1,405	10 years	LOI / under negotiation	Grand Opening	0.1%
Vitamin World	959	10 years	LOI / under negotiation	Grand Opening	0.1%
Lids	828	10 years	LOI / under negotiation	Grand Opening	0.1%
Remaining leasable In-Line retail space	213,295				21.1%
<b>Sub-total – In-line retail stores</b>	<b>335,900</b>				<b>33.2%</b>
<b>In-line Restaurants (Please List)</b>					
Five guys	2,905	10 years	Executed Lease	Grand Opening	0.3%
Bensi's	6,000	10 years	LOI / under negotiation	Grand Opening	0.6%
Chipotle	2,500	10 years	LOI / under negotiation	Grand Opening	0.2%
Nature's Table	1,750	10 years	LOI / under negotiation	Grand Opening	0.2%
The Pub	5,665	10 years	LOI / under negotiation	Grand Opening	0.6%
Remaining leasable In-line restaurant	66,180				
<b>Sub-total – In-line restaurant space</b>	<b>85,000</b>				<b>8.4%</b>
<b>Restaurant Space (Please List)</b>					
Outback Steakhouse	6,364	6 years	Executed Lease	Open	0.6%
Remaining leasable restaurant space	12,136				
<b>Sub-total – restaurant space</b>	<b>18,500</b>				<b>1.8%</b>
<b>Cinema/Entertainment Space</b>					
<b>Sub-total – entertainment space</b>	<b>47,500</b>				<b>4.7%</b>
<b>Office Space (Please List)</b>					
<b>Sub-total – office space</b>	<b>105,000</b>				<b>10.4%</b>
<b>Total</b>	<b>1,012,633</b>				

Residential Units

Unit Types	Number of Units	Number of Units Leased	Average Lease Price/ Month
Apartments	158	0	N/A
<b>Total</b>	<b>158*</b>	<b>0**</b>	

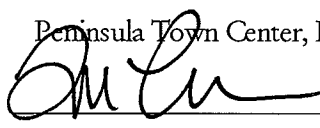
\* Final design resulted in 158 units. Extra space used for leaseable storage/ retail space.

\*\* The project has accepted deposits reserving 10 units, but has not yet signed leases.

- 7) **Legislative, Administrative or Judicial Challenges:** There have been no legislative, administrative, or judicial challenges to the construction of the 2007 Bond Facilities or the development within the district.
  
- 8) **Material Changes in the Plan to Develop the 2007 Bond Facilities or Development:** There have been no material changes in the plan to develop the 2007 Bond Facilities or the development as described in the Limited Offering Memorandum.
  
- 9) **Notice of Default received or given by the Company under any Sales Agreement:** There have been no notices of default received or given by the company under any sales agreement between the company and a buyer of land within the district.
  
- 10) **Amendments or Supplements to the Development/ Acquisition Agreement:** There have been no amendments or supplements to the Development/ Acquisition Agreement.
  
- 11) **Other Comments:** None.
  
- 12) **Reporting of Significant Events:** The developer has not obtained actual knowledge of the occurrence of any significant events attached hereto.

PENINSULA TOWN CENTER, LLC

By: Peninsula Town Center, LLC

By:  J. LEYDA

Title: DEVELOPMENT EXECUTIVE

Date: 01.30.09

### Significant Events

- (i) failure to pay any real property taxes (including special assessments) levied within the district on a parcel owned by the developer;
- (ii) material damage to or destruction of any improvements within the district;
- (iii) material default by the developer on any loan with respect to the construction or permanent financing of the development;
- (iv) material default by the developer thereof on any loan secured by property within the district owned by the developer;
- (v) the filing of the developer, any general partner of the developer or any owners of more than a 25% interest in the developer in bankruptcy or any determination that the developer or any owner of an interest in the developer or a subsidiary of the developer is unable to pay its debts as they become due;
- (vi) upon receipt by the developer of actual knowledge of the filing of any lawsuit with a claim for damages in excess of \$1,000,000 against the developer which may adversely affect the completion of the 2007 Bond facilities or the development or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the developer; and
- (vii) material changes in the organization or ownership of the developer (as described in the LOM)