

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Quarter Ending March 31, 2008

*\$10,715,000 Prince William County, Virginia
Heritage Hunt Commercial Community Development Authority
Special Assessment Bonds
Series 1999 A and B*

Prepared by

MUNICAP, INC.

July 10, 2008

**DEVELOPMENT ACTIVITY AND
DISCLOSURE REPORT**
For the Quarter Ending March 31, 2008

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I. UPDATED INFORMATION

Information updated as of March 31, 2008 from the previous quarter is as follows:

- Buchanan reports that 73 percent of the two remaining 19,000 square foot office condominium buildings (7300 and 7400) have been sold, which remains the same as the previous reporting period.
- Buchanan reports that leasing efforts for the 30,000 square foot retail facility are continuing and that leases or letters of intent have been signed for approximately 71 percent of this facility, which is a 19 percent decline from the previous reporting period due to defaults.
- Buchanan reports that the construction of a 75,000 square foot Class “A” office building on Land Bay B commenced in August, 2007, and construction is anticipated to be completed by August 2008.
- Buchanan reports that leases have been executed for approximately 27 percent of a two-story 53,000 gross square foot Class-A condominium office building on parcel D-1.
- The developer reports that the construction of two condominium buildings in Phase 3, Section 4 is continuing. The developer reports that the first condominium building is complete and sales are underway; the construction of the second condominium building is anticipated to be completed in early 2009, which remains the same as the previous reporting period.
- The developer reports that home construction on the 120 single-family detached units, 87 Patio, 19 Garden and 17 Executive units in Phase 8, Section 6 is continuing and complete build-out for this section is expected by December 2008, which remains the same as the previous reporting period.
- The developer reports that the site development for Phase 8, Section 2 is anticipated to be completed in 2009, which remains the same as the previous reporting period.
- As of March 31, 2008, construction funded from bond proceeds was \$8,982,072.96, which has not changed since the previous reporting period.
- As of March 31, 2008, the developer reports total sales were 1,221 and closings were 1,117, compared to total sales of 1,200 and closings of 1,105 during the previous quarter.
- As of March 31, 2008, the average sales price for Patio, Condo, Garden and Executive units were \$505,240, \$329,990, \$538,490 and \$559,240, respectively.
- As of March 31, 2008, special assessment prepayments on residential property totaled \$6,989,284 (including the 10% credit from the reserve fund, total special assessment prepayments equal \$7,688,213).
- Special assessment in the amount of zero for the Series A Bonds and \$180,000.00 for the Series B Bonds for fiscal year 2008 will be due on July 15 and December 5, 2008. As a result, there are no delinquent annual assessments for fiscal year 2008 at this time.

II. INTRODUCTION

The Prince William County Virginia Special Assessment Bonds (Heritage Hunt Commercial Community Development Authority Project) Series 1999A and Series 1999B Bonds were issued pursuant to an Indenture of Trust by and between Heritage Hunt Commercial Community Development Authority (the Authority) and Manufacturers and Traders Trust Company (formerly Allfirst Trust Company, National Association) (the Trustee), dated as of December 1, 1999 and a limited offering memorandum for the bonds dated December 1, 1999.

The Heritage Hunt Commercial Community Development Authority consists of approximately 810 acres of land in Prince William County and is located on the north side of Interstate 66 and Virginia State Route 29 (Lee Highway) in the Gainesville section of the County, approximately one mile west of the Manassas Battlefield National Park. The property is accessible from its main entrance on Lee Highway, a major thoroughfare in the County. Interstate 66 provides access for commuters to locations in Northern Virginia and Washington, D.C.

The property in the district is being developed as a planned commercial site encompassing 92 acres, an age-restricted adult residential community comprising approximately 1,986 residential units located on 546 acres, and a 195-acre 18-hole championship golf course. Other planned amenities include a clubhouse; an 8,000 square foot aquatic center; tennis courts; trails; and the renovated, preserved 10,000 square foot Marsh Mansion. The proposed mix of units includes detached single-family homes, town homes, and condominiums. Lennar estimates that the residential property will be sold out and that the commercial property will be built out by 2010. The residential and commercial properties in the district, but not the golf course, will be subject to the special assessments. The bonds are payable solely from special assessments levied on taxable property within the district. Owners of the real estate within the district have an option to prepay the applicable special assessments and such prepayments will be used to redeem the bonds as provided for in the Indenture of Trust.

The initial owner of the property to be developed is Lennar (formerly U.S. Home Corporation); a Miami, Florida based publicly traded company (NYSE symbol "LEN") organized in 1954, which intends to develop the residential property within the district. Originally, Lennar intended to form a joint venture with a commercial developer for the development of the 92 acres of commercial property. This property has subsequently been sold to the Buchanan Companies, a commercial property developer.

Special assessment bonds in the amount of \$8,215,000.00 (Series 1999A) and \$2,500,000.00 (Series 1999B) were sold in December 1999. Bond proceeds in the amount of \$2,375,463.00 are to be used to complete the construction of the second phase of Heathcote Boulevard and bond proceeds in the amount of \$6,156,314.00 are to be used to reimburse Lennar for the costs of public improvements previously completed (these figures exclude interest earnings on fund balances, which will also be used to fund public improvements).

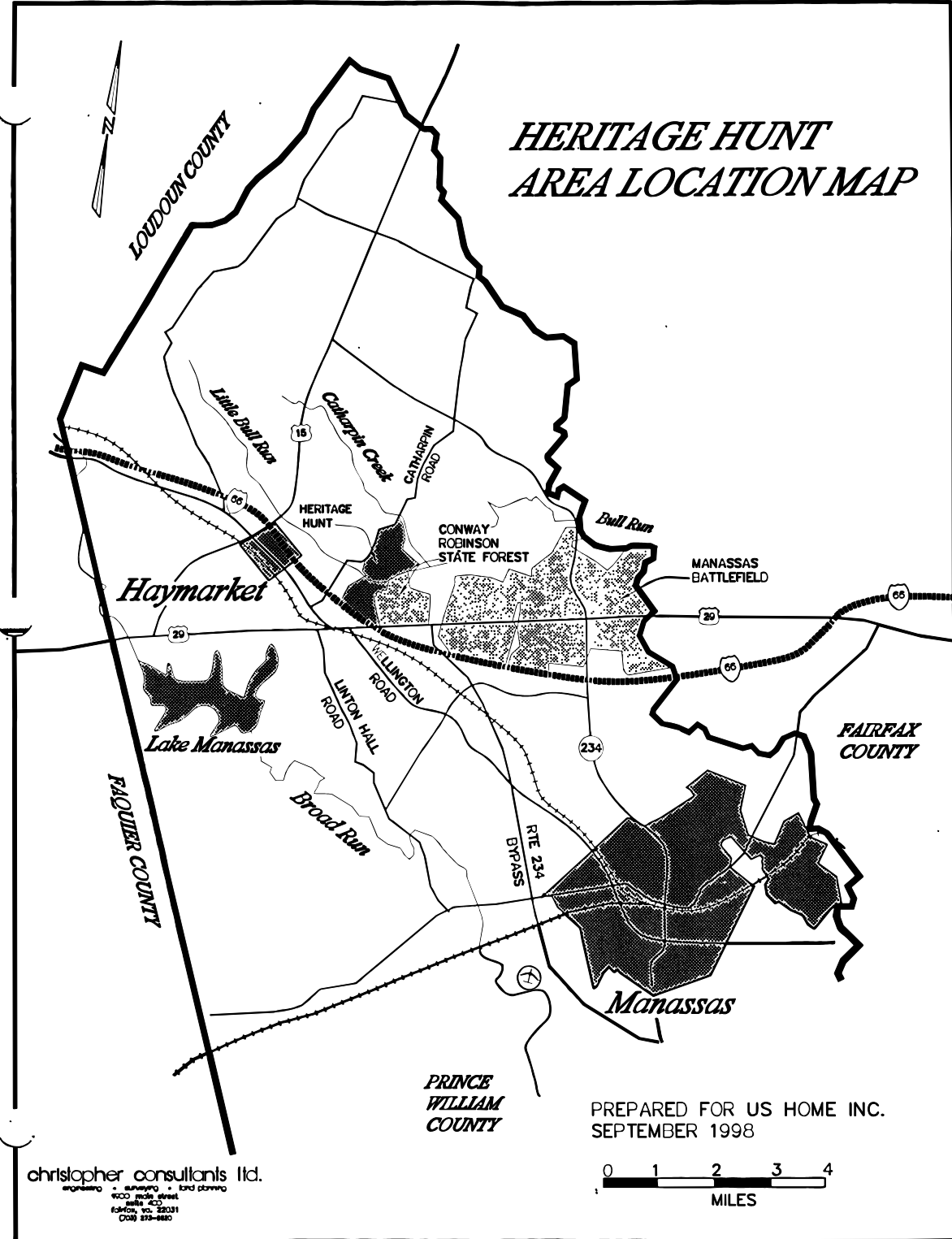
The web site for Lennar is www.lennar.com. The web site for Heritage Hunt is www.heritagehunt.com.

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

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

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

HERITAGE HUNT AREA LOCATION MAP



III. DEVELOPMENT ACTIVITY

The Heritage Hunt project consists of residential and commercial development and a golf course. The residential property is being developed by the Lennar, a Miami, Florida based publicly traded company organized in 1954. At completion, the project is expected to include approximately 1,986 homes. A portion of the residential property (416 homes) is not included in the community development authority. All homes in the project are being built by Lennar. The estimated number and type of homes being built in each section is shown by the following table:

**Table III-1
Heritage Hunt**

Unit	Type of Unit	Total Units	Units in CDA
Estate	Detached	52	52
Executive	Detached	491	314
Garden	Detached	534	382
Patio	Detached	195	195
Villas	Attached	196	148
Carriage	Attached	218	179
Condo	Attached	300	300
TOTAL		1,986	1,570

The commercial property in the CDA is being developed by the Buchanan Companies. The projected mix of use may include suburban campus-type office buildings, retail space, a hotel, and an supportive living facility. The configuration of the infrastructure is expected to yield approximately eleven separate commercial sites, although this could change depending upon the needs of the prospective buyers. The appraisal report suggests that surface parking requirements will permit development of approximately 929,000 square feet (35% floor to area ratio), although the zoning would allow more development. Commercial land sales are expected to continue through 2014. Current plans envision the sale of finished commercial sites to third parties. These sites are essentially ready for marketing, as all public improvements are substantially complete.

A. STATUS OF GOVERNMENTAL PERMITS

(i.) Background Information

The Heritage Hunt Commercial Community Development Authority is made up of three former projects (Melbourne, Shell Farm and Smith Farm), which were zoned for various commercial and residential uses. In 1998, Lennar purchased these three properties, consolidated them into Heritage Hunt, and modified the previously approved development plans.

The land use zoning for the residential component of the CDA was approved by Prince William County on February 4, 1999 and a further modification was approved on February 17, 1999. The current zoning allows for 2,034 single-family, town house, and condominium units. At the time the bonds were issued, final construction subdivision plans for 565 units had been approved and permitted. Final construction plans for the golf course had also been approved and permitted.

Prince William County approved the land use zoning for the commercial component of the CDA on February 17, 1999. This commercial area is zoned Planned Business District (PBD) and

uses within this area are determined by the Master Zoning Plan. The Master Zoning Plan divided the commercial property into four land bays, which include Land Bay A, comprising 6.8 acres zoned for office, hotel, and light retail; Land Bay B, comprising 32.2 acres zoned for multi story office, hotel, and ancillary retail; Land Bay C, comprising 30.3 acres zoned for an supportive living facility or nursing home and office with ancillary retail; and Land Bay D, comprising 32.3 acres zoned for 150,000 gross square feet of retail and office space.

The developer reports that a special use permit has been prepared and filed with Prince William County for a supportive living facility.

Below is a list of the final plans and permits that are required and which have been approved by Prince William County for the proposed public improvements to be funded with the bond proceeds:

- Melbourne Phase I Section I (for Heathcote Boulevard)
- Melbourne Phase I Section II (for Heathcote Blvd and Route 29 frontage)
- Heritage Hunt off-site waterline connection (for the 16" waterline connection to off-site)
- Heritage Hunt sanitary sewer pump station
- Heritage Hunt 10" and 16" sanitary force mains (includes the 24" sanitary sewer force main stubs)
- The 36" Little Bull Run sanitary sewer trunk main and 18" spur line
- Heritage Hunt Phase 2 Section 7 (for 3 – 24" sanitary sewer force main stubs)
- Heritage Hunt Phase 2 Section 8 (for 1 – 24" sanitary sewer force main stubs)

State and federal wetland permits have also been secured for the project. No other state or federal permits are expected to be required for the development of the project.

As part of the Prince William County approval process, land use plans and permits are reviewed and approved by the County Department of Public Works, the County Service Authority, the County Planning Office, and the Virginia Department of Transportation (VDOT).

(ii.) Governmental Permits Obtained Subsequent to Issuance of Bonds

A special use permit was approved by Prince William County on January 14, 2003 for a supportive living facility in the commercial portion of the project. According to the developer, final construction subdivision plans have been approved and permitted for 1,201 units (including 78 condominium units). Buchanan reports that the site plan for a 30,000 square foot retail building and a 3.5-acre nursing facility in Land Bay D have been approved. Site plans for the first two office condominiums were approved by Prince William County on January 31, 2004. Site plans for two additional office condominiums in Land Bay D were approved by Prince William County on March 31, 2005. Buchanan reports that grading permits have been approved for commercial Land Bay D and that the Virginia Pollution Discharge Elimination Permit for the stormwater management system has been approved by the state.

B. STATUS OF CONSTRUCTION

(i.) Background Information

At the time the bonds were issued, public improvements were substantially complete, other than a portion of Heathcote Boulevard from just past its intersection with Heritage Hunt Drive to the western property line, a distance of .24 miles. The other public improvements to be funded by bond proceeds, including the sanitary sewer pump station, sewer and water lines, utility tunnels, and the Route 29 frontage improvements, were complete and operational and have been inspected by Prince William County.

A map of the public improvements to be provided in part by the CDA is shown on page 11. The following table lists the status of construction of public improvements to be funded by bond proceeds at the time the bonds were issued.

Table III-2
Status of Public Improvements

Construction Activity	Percent Complete	Status
Heathcote Boulevard to Heritage Hunt Drive	100%	Completed and inspected by PW County
Heathcote Boulevard from Heritage Hunt Drive to the western property line	100%	Completed and open to traffic
U.S. Route 29 frontage	100%	Completed and inspected by PW County
16" Off-site waterline connection	100%	Completed and inspected by PW County
Sanitary sewer pump station	100%	Completed and inspected by PW County
36" Sanitary sewer trunk & 18" spur	100%	Completed and inspected by PW County
10" & 16" Sanitary sewer force mains	100%	Completed and inspected by PW County
24" Sanitary sewer force main stubs	100%	Completed and inspected by PW County
Three utility tunnels	100%	Completed and inspected by PW County

Lennar initially funded the costs of the completed public improvements listed above. Upon the issuance of the bonds, the Authority used \$6,156,314.00 of the proceeds to reimburse Lennar for these completed improvements. The costs of developing Heritage Hunt, including the facilities and other public improvements, which are not paid from the bond proceeds, will be funded from Lennar's internal cash flow or from funds made available through Lennar's \$300 million revolving line of credit.

At the time the bonds were issued, construction was reported to have been complete on 175 homes, which were sold and occupied by the buyers. Land improvements (e.g., grading, roads, water, sewer, and storm drainage) were substantially complete in phase 2 and 3 of the residential property. Also, all of the amenities were substantially complete, except for the golf course and the

renovations to the Marsh Mansion, which were scheduled for completion in the spring of 2000.

(ii.) Status of Construction

The construction of public improvements to Heathcote Boulevard, from the entrance of the residential property at Heritage Hunt Drive to the western boundary of the property, is complete and pending approval by Prince William County and VDOT. According to the developer, these improvements will be inspected and accepted by the state and the county once the extension of Heathcote Boulevard to its terminus at Catharpin Road is complete. The developer reports that design of the extension of Heathcote Boulevard from Heritage Hunt Boulevard to its terminus at Catharpin Road has been approved by the county. The developer reports that construction of the extension of Heathcote Boulevard from Heritage Hunt Boulevard to its terminus at Catharpin Road is complete and the road is open to traffic. Construction of Heritage Hunt Drive, which is the major thoroughfare through the residential property, has been completed. The paving of Fieldstone Road, a collector road within the residential property and the last major infrastructure for the project, is complete. The developer reports that landscaping along Fieldstone Road is complete.

Engineering design has been approved by Prince William County on 28 single-family detached and 41 single-family attached lots in Phase 6, Section 1. Engineering design has also been approved by Prince William County on 43 single-family attached lots in Phase 7, Section 1; 155 single-family detached lots in Phase 6, Section 4; 32 single-family detached lots and 30 single-family attached lots in Phase 6, Section 2; and 52 single-family detached lots in Phase 6, Section 3. Engineering design has been approved by Prince William County for 117 condo units in Phase 7, Section 2. Engineering design has been approved by Prince William County for 36 single-family detached and 57 single-family attached lots in Phase 8, Section 1. Engineering design for 26 single-family detached units in Phase 8, Section 9 is complete and was approved by the county in February 2004. Engineering design for 61 single-family detached units in Phase 8, Sections 3 and 60 single-family detached units in Phase 8, Section 8 is complete. Engineering design for 120 single-family detached units, 87 patio, 19 garden and 17 executive units in Phase 8, Section 6 have been completed and approved by the county. Engineering design for 78 Condo units in Phase 3, Section 4 has been approved.

Construction of public infrastructure in Phase 4 of the residential project was completed in May 2000. Phase 4 includes 249 units, consisting of 80 single-family detached, 91 single-family detached and 78 condominium units. Construction of public infrastructure in Phase 5, Section 1 of the residential project, which includes 48 single-family detached units, was completed in August 2000. Grading, the installation of underground pipe and dry (*i.e.*, gas and phone lines) utilities in Phase 5, Section 4, comprising 119 single-family detached units, is complete. Grading and the installation of underground pipe in Phase 5, Section 6, which comprises 46 single-family detached units, is complete. Development work on 28 single-family detached and 41 single-family attached lots in Phase 6, Section 1 is complete. Development work for 26 single-family detached and 36 single-family attached lots in Phase 6, Section 2 is complete. Development work for 52 single-family detached lots in Phase 6, Section 3 is complete. Development work for 155 single-family detached lots in Phase 6, Section 4 is complete. Development work on 26 single-family detached units in Phase 8, Section 9 and 36 single-family detached and 57 single-family attached lots in Phase 8, Section 1 is complete. The public improvements in Phase 5, Section 1 are complete. Development work on 43 single-family attached lots in Phase 7, Section 1 and the first 50 homes in Phase 6, Section 4 is complete. Development work for Phase 6, Section 5, which consists of the roads and utilities for Phase 6, Section 4, is complete. Development work for 103 single-family detached lots in Phase 6, Section 4 is complete. Development work on 61 single-family detached units in Phase 8,

Sections 3 and 60 single-family detached units in Phase 8, Section 8 is complete. Development work for 120 single-family detached units, 87 patio, 19 garden and 17 executive units in Phase 8, Section 6 is complete and construction on homes commenced in March 2006. The developer reports that the construction of the first condominium building in Phase 3, Section 4 is complete and sales are underway. The developer also reports that the construction of the second condominium building is anticipated to be completed in the summer of 2009. Site plans for 117 condo units in Phase 7, Section 2 and 27 condo units in Phase 8, Section 2 are being reviewed by the county. The site plan for Phase 8 Section 2 has been approved by Prince William County. According to the developer, the site development for Phase 8, Section 2 is anticipated to be completed in 2009.

The renovation of the Marsh Mansion is complete. The golf course has been completed and was opened for play on September 7, 2000.

The developer reports that the installation of a traffic signal at the intersection of State Route 29 and Heathcote Boulevard, which is to be funded with bond proceeds, is complete and was approved by VDOT in the fourth quarter of 2002. The developer further reports that a traffic signal was warranted by VDOT for the intersection of Heathcote Boulevard and Heritage Hunt Drive. The developer reports that design of the traffic signal at the intersection of Heathcote Boulevard and Heritage Hunt Drive was approved by VDOT and that installation is complete and the traffic signal is operational.

The developer reports that Lennar sold its interest in the commercial property to Buchanan in late May 2004. According to Buchanan, construction continues in the area originally known as Land Bay D. Buchanan reports that the public infrastructure improvements, consisting of on and off site stormwater management facilities, the water and sewer utilities and the turn lane from Heathcote Boulevard into the commercial property at Land Bay D, in this area are complete. Private roads, to the extent shown on the approved plans, have been constructed. Buchanan reports that the top coating of pavement around Buildings 7300 and 7400 was completed in May 2006.

Buchanan reports that construction of a two-story 53,000 gross square foot Class-A condominium office building on parcel D-1 is complete. Buchanan reports that leases have been executed for approximately 27 percent of this facility.

Buchanan reports that leasing efforts for the 30,000 square foot retail facility are continuing and that leases or letters of intent have been signed for approximately 71 percent of this facility, which is a 19 percent decline from the previous reporting period due to defaults. Buchanan reports that 73 percent of the two remaining 19,000 square foot condominium buildings (7300 and 7400) have been sold. The buildings consist of 16 units each. Buchanan reports that all of the units in Buildings 7100 and 7200 are sold. Buchanan reports that marketing efforts to sell the remaining units in Buildings 7300 and 7400 are continuing. Buchanan reports that the Certificate of Occupancy for the nursing facility was issued on May 19, 2006, and the 3.5 acre nursing facility is open and fully operational.

According to Buchanan, development work is continuing in Land Bay B. Land Bay B consists of approximately 27 acres that will include the phased construction of four Class-A office buildings totaling 350,000 square feet. Buchanan reports that construction of 75,000 square foot Class A office building on Land Bay B commenced in August 2007, and construction is anticipated to be completed by August 2008 .

(iii.) Bond Proceeds Expended for Construction

At the time the bonds were issued, \$6,156,314.00 was disbursed to Lennar to reimburse costs related to the construction of the first phase of Heathcote Boulevard, the sanitary sewer and water, the construction of which were complete. As of March 31, 2008, total disbursements for construction from the project fund were \$8,982,072.96, which has not changed since the previous reporting period. (Total disbursements from the project fund, as of March 31, 2008, equaled \$9,032,670.96, which included \$50,598.00 that was transferred to the administrative expense fund to cover administrative expenses.)

C. STATUS OF SALES

(i.) Residential Property

The table below shows the number of homes sold and closed as of March 31, 2008:

**Table III-3
Homes Sold and Closed**

Unit Type	Sales as of 12/31/07	Sales as of 03/31/08	Closings as of 12/31/07	Closings as of 03/31/08
Executive	284	288	230	232
Garden	273	281	246	246
Villas	148	148	148	148
Carriage	179	179	179	179
Condo	95	100	83	89
Estate	52	52	52	52
Patio	169	173	167	171
TOTAL	1,200	1,221	1,105	1,117

(These totals do not include the 416 units that are not part of the CDA.)

**Table III-4
Average Price**

Unit Type	Initial Average Price	Current Average Price	Percent Change
Executive	\$309,094	\$559,240 ¹	80.9%
Garden	\$279,714	\$538,490 ¹	92.5%
Villas	\$225,545	N/A	N/A
Carriage	\$178,952	N/A	N/A
Estate	\$573,500	N/A	N/A
Condo	\$246,000	\$329,990 ¹	34.1%
Patio	\$421,500	\$505,240 ¹	19.8%

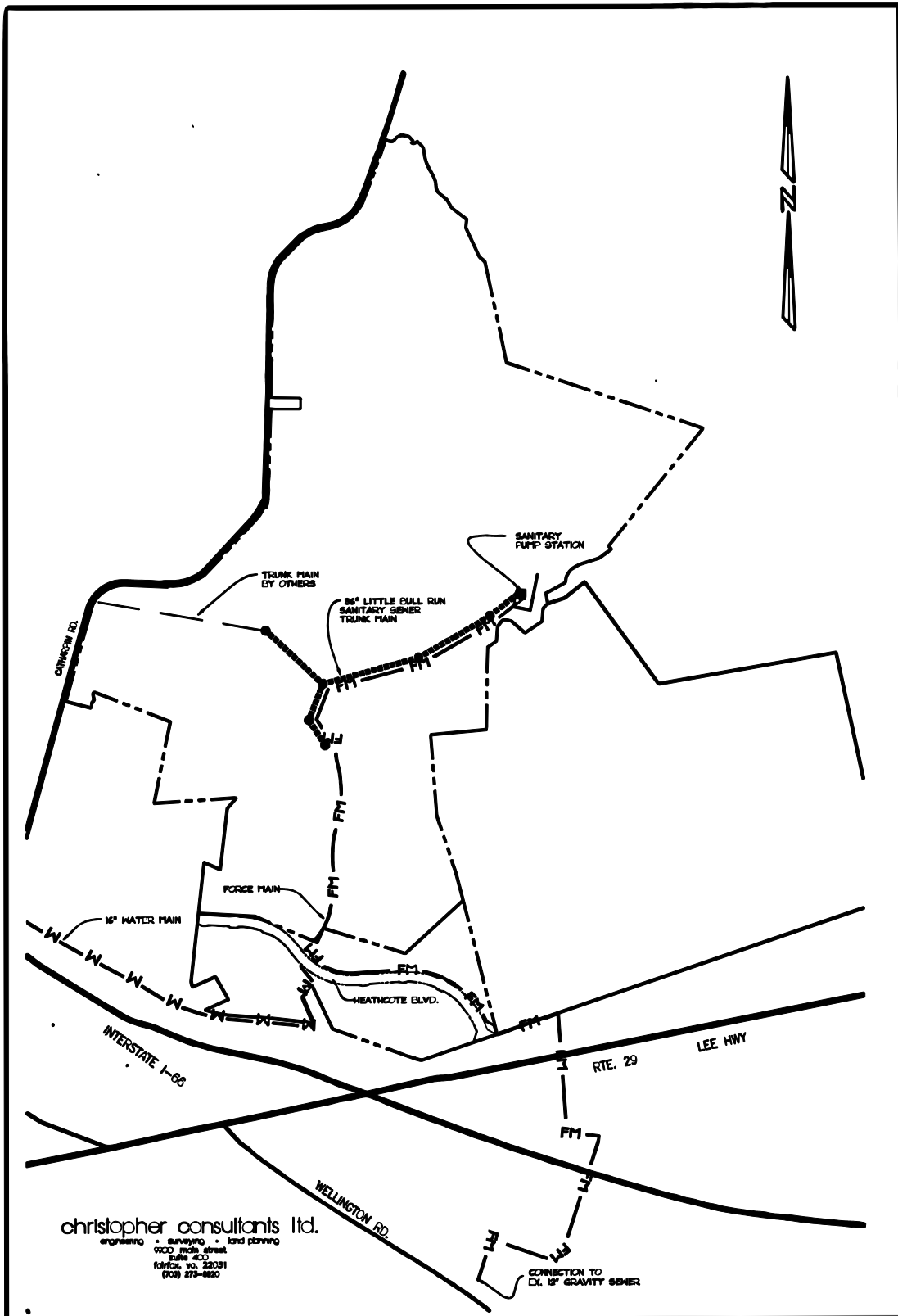
¹ Current sales price is reported by the developer for the first quarter of 2008.

The average sales price of Patio, Condo, Garden and Executive units were \$505,240, \$329,990, \$538,490 and \$559,240, respectively, during the quarter ending March 31, 2008. The initial average price for Executive, Garden, Villa, and Carriage unit sales was from 1999. The initial average price for Condo unit sales was from 2002 and the initial average price for Estate unit sales was from 2003. Carriage and Villa units were completely sold out by the end of 2004. Estate units were completely sold out by March 31, 2005.

The National Council of Senior Housing named Heritage Hunt as the number one active adult community in the nation in 2002. This competitive award is given annually at the National Association of Home Builders convention. It recognizes the winner for its overall quality of development and sensitivity to the needs of the residents. Judges also take into consideration the level of amenities that are provided in the community and the environment created. Lennar continues to advertise this fact in its local press marketing campaign.

(ii.) Commercial Property

Buchanan reports that the parcel originally known as Land Bay D has been subdivided to accommodate the first phase of construction. This first phase includes a 30,000 square foot retail building intended for strip-style lease activity. This building has been completed and leases or letters of intent have been signed for approximately 71 percent of this facility, which is 19 percent decline from the previous reporting period due to defaults. Leasing efforts for the retail facility are continuing. Buchanan reports building four, 19,000 square foot office condominium buildings: buildings 7100, 7200, 7300 and 7400. Buchanan reports each building has 16 units. Buchanan reports that construction of buildings 7100, 7200, 7300 and 7400 are complete. Buchanan reports all of the units in building 7100 and 7,200 have been sold. Buchanan also reports that the construction of building 7400 is completed. Buchanan reports that 73 percent of units have been sold in Buildings 7300 and 7400. Buchanan reports that the occupancy permit for the 3.5 acre nursing facility was issued on May 19, 2006. The nursing facility is open and full.



**HERITAGE HUNT COMMERCIAL
 COMMUNITY DEVELOPMENT
 AUTHORITY PUBLIC IMPROVEMENTS**

**EXHIBIT
 "D"**
 NOT TO SCALE

IV. TRUSTEE ACCOUNTS

The trustee for the Series 1999A and B bonds is Manufacturers and Traders Trust Company (formerly Allfirst Trust Company). The balance as of December 31, 2007, interest paid, disbursements, special tax collections and additional proceeds, and account balances for each fund as of March 31, 2008, are shown by the following table:

**Table IV-1
Account Balances**

	12/31/07 Balance	Interest Paid	Additional Proceeds	Disbursements	03/31/08 Balance
A & B Project Fund	\$17,156	\$165	\$0	\$0	\$17,321
A & B Revenue Fund	\$61,833	\$1,291	\$114,487	\$106,453	\$71,158
A Debt Service Interest	\$1,570	\$15	\$250,678	\$223,811	\$28,453
B Debt Service Interest	\$5	\$0	\$145,715	\$145,720	\$0
Special Assessment Prepay A	\$181,900	\$1,742	\$10,999	\$180,798	\$13,843
Special Assessment Prepay B	\$6	\$0	\$0	\$0	\$6
Administrative Expense	\$3,577	\$37	\$3,951	\$7,565	\$0
A Debt Service Reserve	\$141,969	\$3,615	\$0	\$75,507	\$70,077
B Debt Service Reserve	\$226,202	\$6,747	\$0	\$43,214	\$189,736
TOTAL	\$634,219	\$13,612	\$525,831	\$783,067	\$390,594

Additional proceeds to the Series A and B Revenue Fund were special assessments collected and transferred by the county. Disbursements from the Series A and B Revenue Fund were annual assessments collected by the county and transferred to the Series A and B Debt Service Interest Funds for the payment of debt service. Additional proceeds to the Special Assessment Prepayment Series A Account were prepayments on the residential property and were used to redeem Series A Bonds. Additional proceeds to the Administrative Expense Fund were transfers from the Series A and B Revenue Fund to pay administrative expenses for the district. Disbursements from the Series A and B Debt Service Reserve Funds were transfers of investment income to the Series A and B Debt Service Interest Funds for the payment of debt service.

The interest paid through March 31, 2008 does not include interest accrued but not yet paid. Proceeds in the reserve funds are invested in guaranteed investment contracts that pay interest semi-annually. The table below shows the average return on the investments in each fund or account.

Investment income on the Administrative Expense Fund will remain in that fund and be used for the purpose of paying administrative expenses. If the reserve requirement is met, investment income in the Reserve Fund will be transferred to pay debt service on the bonds or to the Series A or Series B Prepayment Subaccounts as appropriate and used to prepay the bonds. Alternatively, the Authority may instead request that such investment income be transferred to the Administrative Expense Fund and made available for the payment of administrative expenses. Investment income on the Project Fund will remain in the fund and may be disbursed as provided for other funds in the account. Any remaining funds after the completion of construction will be transferred to the Series A Prepayment

Subaccount and applied to redeem the Series A Bonds.

Table IV-2
Rates of Return

Account	Rate of Return
A & B Revenue Fund	2.42%
A Reserve Fund	6.37%
B Reserve Fund	6.37%
Prepayment Fund A	2.42%
A Debt Service Interest	2.42%
A & B Project Fund	2.42%

V. AUTHORITY OPERATIONS

A. LEVY OF ANNUAL ASSESSMENTS

Annual assessments are to be levied and collected from each parcel of taxable property in the CDA (excepting those for which the assessment lien has been prepaid) each tax year in an amount equal to the annual revenue requirement. The annual revenue requirement is equal to (i) regularly scheduled debt service on the bonds and other periodic costs associated with the bonds, (ii) administrative expenses, less (iii) capitalized interest and any other funds available to pay debt service pursuant to the Indenture of Trust, such as investment income on account balances. The annual revenue requirement is to be calculated separately for the Series A Bonds and the Series B Bonds. The levy of the annual assessments was determined in March 2006. The calculations to determine the levy are described below.

Annual assessments to be collected in 2008 will be due on July 15th and December 5th, 2008. The special assessments due on July 15, 2008 will be available to pay debt service on the bonds on September 1, 2008 and the annual assessments due on December 5, 2008 will be available to pay debt service on the bonds on March 1, 2009. Accordingly, the payments on the bonds to be covered by the special assessments to be collected in 2008 are the payments due September 1, 2008, and March 1, 2009.

The annual revenue requirement for fiscal year 2008 is shown by Table V-1.

Table V-1
Annual Revenue Requirement
Fiscal Year 2008

	Series A Bonds	Series B Bonds
Interest due Sept. 1, 2008	\$15,926	\$74,305
Interest due March 1, 2009	\$15,926	\$74,305
Principal due March 1, 2009	\$0	\$48,000
Sub-total debt service	\$31,853	\$196,610
CDA operations	\$9,878	\$45,097
Contingency	\$29,768	\$17,476
Sub-total expenses	\$71,499	\$259,183
Reserve fund income	(\$2,964)	(\$11,301)
Prior year deficit/(surplus)	(\$68,534)	(\$67,882)
TOTAL	\$0	\$180,000

As shown above, the annual revenue requirement is zero for the Series A Residential Bonds and \$180,000.00 for the Commercial Series B Bonds for fiscal year 2008. The acreage, annual assessment per lot/acre and the aggregate assessment for the each class of property are shown in Table V-2 below.

Table V-2
Annual Assessments
Fiscal Year 2008

Classification	Units/Acreage	Assessment Rate	Aggregate Assessment
<u>Residential</u>			
Developed	239	\$0.00	\$0.00
Platted	0.3271	\$0.00	\$0.00
Unplatted	7.3199	\$0.00	\$0.00
Total Residential			\$0.00
<u>Commercial</u>			
Developed (2008)	1.7218	\$2,812.34	\$4,842.18
Developed (2007)	24.9472	\$2,222.91	\$55,455.56
Platted	27.3799	\$3,304.29	\$90,471.04
Unplatted	9.9656	\$2,933.22	\$29,231.32
Total Commercial	64.0145		\$180,000.00
TOTAL			\$180,000.00

(Please note that per the Rate and Method of Apportionment, the assessment liens are set when property is first classified as developed and are reduced each year pro-rata for principal redemptions. As a result, the assessment rates on the commercial property classified as developed in 2007 differs from that of 2008.)

B. DELINQUENT SPECIAL ASSESSMENTS

There were no annual assessments due for fiscal year 2000. There are no delinquent annual assessments for fiscal years 2001 through 2006.

Annual assessments for fiscal year 2007 were due in two equal installments of \$115,000.00 on July 15 and December 5, 2007. As of November 28, 2007, the county reports collecting first half annual assessments in the amount of \$112,645.25. The county also reported transferring the total amount of \$112,783.29 including \$138.04 in second half assessments. As of March 18, 2008, Prince William County reported transferring the total amount of \$109,847.03 to the trustee in second half annual assessments for fiscal year 2007. According to the county, the assessments in the amount of \$546.90 were transferred to the trustee on March 25, 2008. The remaining annual assessments for fiscal year 2007 were collected by the settlement company with the Series A prepayments. Accordingly, there are no delinquent annual assessments for fiscal year 2007.

Special assessment in the amount of zero for the Series A Bonds and \$180,000.00 for the Series B Bonds for fiscal year 2008 will be due on July 15 and December 5, 2008. As a result, there are no delinquent annual assessments for fiscal year 2008 at this time.

C. COLLECTION EFFORTS

There are no delinquent annual assessments for fiscal year 2008.

VI. AUTHORITY FINANCIAL INFORMATION

The information provided in this section is provided to meet the requirements on the annual report as provided for in Section 3(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.

The financial statements for the Authority are provided under separate cover. There have been no amendments to the Continuing Disclosure Agreement or change in the accounting principals or presentation that would fall within Section 9 of the Continuing Disclosure Agreement.

All information in this section is provided as of March 31, 2008, unless otherwise stated.

A. TOTAL ASSESSMENT LIENS

The total of the assessment liens on all property as of the first and last day of the fiscal year (January 1, 2008 – December 31, 2008) and the assessment liens prepaid during the fiscal year are shown by the following table:

Table VI-1
Total Assessment Liens

	Residential	Commercial	Total
Special Assessments January 1, 2008	\$1,284,337	\$2,123,000	\$3,407,337
Special Assessments Prepaid During Fiscal Year	\$58,621	\$0	\$58,621
Special Assessments December 31, 2008	\$1,225,716	\$2,123,000	\$3,348,716

B. ANNUAL ASSESSMENTS LEVIED

The annual assessments levied for fiscal year 2008 are described in Section V of this report, "District Operations." A summary of the annual assessments is shown in Table VI-2 on the following page:

Table VI-2
Annual Assessments Levied

	Residential Series A Bonds	Commercial Series B Bonds	Total
Developed Property	\$0.00	\$60,297.64	\$60,297.64
Undeveloped Property:			
Platted	\$0.00	\$90,471.04	\$90,471.04
Unplatted	\$0.00	\$29,231.32	\$29,231.32
TOTAL	\$0.00	\$180,000.00	\$180,000.00

C. ANNUAL ASSESSMENTS COLLECTED

Property taxes are due on July 15 and December 5 of each year. The annual assessments payable semi-annually and will be collected on July 15, 2008 and December 5, 2008 are shown by the following table:

Table VI-3
Annual Assessments Due and Collected

	Residential Series A Bonds	Commercial Series B Bonds	Total
Semi-annual Assessments Due (07/15/08)	\$0.00	\$90,000	\$90,000
Semi-annual Assessments Collected (07/15/08)	\$0.00	\$90,000	\$90,000
Percent due collected (07/15/08)	0%	0%	0%
Semi-annual Assessments Due (12/05/08)	\$0.00	\$90,000	\$90,000
Semi-annual Assessments Collected (12/05/08)	\$0.00	\$90,000	\$90,000
Percent due collected (12/05/08)	0%	0%	0%

D. DELINQUENT ANNUAL ASSESSMENTS

The delinquent annual assessments for fiscal year 2008 are shown by the table on the following page:

Table VI-4
Delinquent Annual Assessments

	Residential Series A Bonds	Commercial Series B Bonds	Total
Six months delinquent	\$0	\$0	\$0
One year delinquent	\$0	\$0	\$0
Two years delinquent	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0

The delinquent annual assessments do not amount to more than ten percent of the annual assessments due in any year.

E. FORECLOSURE PROCEEDINGS

The annual assessments subject to foreclosure proceedings are shown by the following table:

Table VI-5
**Annual Assessments Subject
to Foreclosure Proceedings**

	Residential Series A Bonds	Commercial Series B Bonds	Total
Subject to foreclosure but not yet instituted	\$0	\$0	\$0
Foreclosure instituted but not concluded	\$0	\$0	\$0
Judgement obtained but not yet collected	\$0	\$0	\$0
Judgement collected	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0

F. SPECIAL ASSESSMENT PREPAYMENTS

The amount of special assessment prepayments received during the past fiscal year and the amount of bonds of each series redeemed or called for redemption as a result of such prepayments is shown by the table on the following page:

Table VI-6
Special Assessment Prepayments
As of March 31, 2008

	Residential Series A Bonds	Commercial Series B Bonds	Total
Special assessment prepayments	\$6,930,663	\$83,769	\$7,014,432
Bonds redeemed	\$7,750,000	\$83,000	\$7,833,000
Bonds called for redemption	\$7,750,000	\$83,000	\$7,833,000

Series A and B Bonds have been redeemed in the following amounts and on the following dates:

Series Bonds	Date	Amount Redeemed
Series A		
	09/01/00	\$277,000
	03/01/01	\$352,000
	09/01/01	\$469,000
	03/01/02	\$398,000
	09/01/02	\$550,000
	03/01/03	\$615,000
	09/01/03	\$600,000
	03/01/04	\$693,000
	09/01/04	\$425,000
	03/01/05	\$822,000
	09/01/05	\$256,000
	03/01/06	\$767,000
	09/01/06	\$743,000
	03/01/07	\$324,000
	09/01/07	\$258,000
	03/01/08	\$201,000
Subtotal:		<u>\$7,750,000</u>
Series B		
	09/01/05	\$83,000
Subtotal:		<u>\$83,000</u>
Total:		<u><u>\$7,833,000</u></u>

G. FUND BALANCES

The fund balances in all of the funds and accounts provided for in the Indenture of Trust is included in Section IV, "Trustee Accounts," of this report.

H. BONDS OUTSTANDING

The bonds outstanding are shown by the following table:

Table VI-7
Bonds Outstanding
As of March 31, 2008

	Total
Series A Bonds	\$465,000
Series B Bonds	\$2,123,000
TOTAL	\$2,588,000

I. PRINCIPAL AND INTEREST PAID AND DUE ON THE BONDS

The principal and interest paid on the bonds in the bond year ending March 1, 2008 is shown by Table VI-8 on the following page:

Table VI-8
Interest and Principal Paid
Bond Year Ending March 1, 2008

	Residential Series A Bonds	Commercial Series B Bonds	Total
Interest September 1, 2007	\$31,647	\$76,720	\$108,367
Interest March 1, 2008	\$22,811	\$76,720	\$99,531
Principal March 1, 2008	\$0	\$43,000	\$43,000
TOTAL	\$54,458	\$196,440	\$250,898

The principal and interest due on the bonds in the bond year ending March 1, 2009 is shown in Table VI-9:

Table VI-9
Interest and Principal Due
Bond Year Ending March 1, 2009

	Residential Series A Bonds	Commercial Series B Bonds	Total
Interest September 1, 2008	\$15,926	\$74,305	\$90,231
Interest March 1, 2009	\$15,926	\$74,305	\$90,231
Principal March 1, 2009	\$0	\$48,000	\$48,000
TOTAL	\$31,852	\$196,610	\$228,462

VII. LISTED EVENTS

Pursuant to the Continuing Disclosure Agreement, listed events include the following:

- (i) Delinquency in payment when due of principal of or interest on the bonds;
- (ii) Occurrence of any event of default under the indenture (other than as described in clause (i) above);
- (iii) Amendment to the indenture or the disclosure agreement or the modifications to the rights of the owners of the bonds;
- (iv) Optional, mandatory or other redemption of any bonds;
- (v) Defeasance of the bonds or any portion thereof;
- (vi) Any change in any ratings of the bonds (it being understood that the bonds are not rated as of their date of issue);
- (vii) Receipt of any adverse opinion with respect to the tax exempt status of the bonds or any event affecting the tax exempt status of the bonds, including but not limited to: any challenge to the tax exempt status of the bonds by the Internal Revenue Service or in any administrative proceedings; or the issuance of any regulation, decision, or other official authority, or by any court adversely affecting the tax exempt status of the bonds, or when and if known by the authority, bonds as the same type as the bonds or financing structures of the same type as financed by the bonds;
- (viii) Any unscheduled draw on the debt service reserve fund reflecting financial difficulties;
- (ix) Any unscheduled draw on any credit enhancement for the bonds reflecting financial difficulties;
- (x) The substitution of credit or liquidity providers, or their failure to perform;
- (xi) The release, substitution or sale (other than in the ordinary course of business) of property, if any, securing payment of the bonds (including property leased, mortgaged or pledged as such security);
- (xii) The failure of the authority to timely file an annual report;
- (xiii) Any change in the authority's fiscal year;
- (xiv) The institution or conclusion of any proceeding, appeal or litigation contesting the assessment, levy or collection of special assessments or the methodology of determining special assessments.

As of March 31, 2008, the developer reported that no events of defaults have occurred to their knowledge. As of March 31, 2008, the administrator is not also aware of occurrence of any of the above listed events. Special mandatory redemption of a portion of the Series A Bonds is anticipated as a result of the prepayment of special assessments.