DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Year Ending December 31, 2008

$25,000,000
Celebrate Virginia South Community Development Authority
(City of Fredericksburg, Virginia)
Special Assessment Revenue Bonds, Series 2006
(Celebrate Virginia South Project)

Prepared by:

MUNICAP, INC.

April 23, 2009

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. UPDATED INFORMATION

Information is updated for the period ending December 31, 2008, unless otherwise stated.

- As of December 31, 2008, the developer reports that $16,099,821 has been expended for construction of the public improvements, representing 80.6 percent of the total amount to be funded by the Series 2006 Bonds.

- As of December 31, 2008, the developer reports that the design of Hospitality Drive is continuing and construction is expected to commence during the spring of 2009.

- As of December 31, 2008, the developer reports that the construction of Carl D Silver Parkway, Phases I, IIA and IIB, are complete through base paving, and construction of the top coat of asphalt is expected to be completed during the spring of 2009. The developer also reports that Phase III is currently under design development and has been delayed due to coordination with the local transportation authority, which is studying an interstate access around the project.

- As of December 31, 2008, the developer reports that sanitary sewer lines have been installed throughout the development. The developer also reports that construction of the Phase I sewer pump station has been completed and ownership has been turned over to the public authority. The developer also report that the design of the Phase II sewer pump station has been completed and approved. According to the developer, the installation is expected during the spring of 2009.

- As of December 31, 2008, the developer reports that the construction of the stormwater facilities is complete except for the main storm water detention pond and stream restoration within the project.

- As of December 31, 2008, the developer reports that landscaping is 100 percent complete.

- As of December 31, 2008, the developer reports that construction of a 124-room Homewood Suites Hotel was completed in 2007. The developer also reports that construction of a 122-room Hampton Inn Hotel was completed in November 2007.

- As of December 31, 2008, the developer reports that they are currently assessing the market demand for commercial and active adult residential units before proceeding with application for a conditional use permit.

- As of April 17, 2009, the developer reports that a sales contract is currently under review for Kalahari Resorts, which consists of approximately 59 acres of land within the district, intended for an Indoor Water Park Hotel and Resort. The developer also reports that a letter of intent is currently under review with Quicker Steak & Lube for approximately two acres of land for the purpose of constructing a restaurant. According to the developer, a sales contract has been signed with Virginia Retail Properties for approximately five acres of land intended for a retail multi-use center.

- As of April 17, 2009, the developer reports that ground leases have been signed for approximately 43 acres of land within the district. The developer reports that PNC Bank, which occupies approximately one acre of land, is currently under construction. According to the developer, a ground lease has been signed with Wegman's for approximately nineteen acres of land intended for a grocery store, which is currently under construction. The developer also reports that a lease has been signed with Royal Farm for approximately three acres of land for the purpose of constructing a convenient store. According to the developer, a lease has been signed with Fredericksburg Expo Conference Center for approximately nineteen acres of land and is currently open for business.

- The developer reports that as of December 31, 2008, the outstanding balance on the $17,444,474 development loan with Provident Bank was $1,408,661. According to the developer, the terms of this loan include LIBOR plus interest rate of 2.5 percent maturing on September 30, 2009.

- The developer reports that a $2,500,000 line of credit was obtained from Provident Bank on December 31, 2007 for the purpose of grading and developing certain pad sites. According to the developer, the terms of this loan include LIBOR plus interest rate of 2.5 percent maturing on September 1, 2009. As of December 31, 2008, the developer reports that the outstanding balance on this loan was $1,326,151.

- The developer reports that a $4,000,000 construction loan was obtained from Provident Bank on November 14, 2007 for the purpose of grading a 55 acre site. According to the developer, the terms of this loan include LIBOR plus interest rate of 2.5 percent maturing on December 1, 2009. As of December 31, 2008, the developer reports that the outstanding balance on this loan was $3,225,561.

- Special assessments in the amount of $104,199 were levied for the 2007 tax year. As of December 31, 2008, the City of Fredericksburg reports that annual assessments in the amount of $104,199 were collected. As a result, there were no delinquent annual assessments for tax year 2007.

- Special assessments in the amount of $1,592,968 were billed for the 2008 tax year to be collected in two installments of $796,484. As of February 17, 2009, the City of Fredericksburg reports that annual assessments in the amount of $1,595,789 for tax year 2008 have been collected and transferred to the trustee. Of this amount, $2,908 represents interest and penalty.

II. INTRODUCTION

The $25,000,000 of Celebrate Virginia South Community Development Authority (City of Fredericksburg, Virginia) Special Assessment Revenue Bonds (Celebrate Virginia Project), Series 2006 (the, "Bonds"), were issued pursuant to the provisions of the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5100 *et. seq.* of the Code of Virginia, 1950, as amended (the "Act"), and an Indenture of Trust (the "Indenture"), dated as of June 1, 2006, by and between the Celebrate Virginia South Community Development Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee").

The district consists of approximately 22 parcels of land totaling approximately 497.15 acres, of which approximately 245.9 acres can be developed. The development is located in Fredericksburg, Virginia, approximately 49 miles south of Washington, D.C. and approximately 55 miles north of Richmond, Virginia. The entrance to the development is approximately one mile north of the Route 3/Interstate 95 Interchange (Exit 130B).

According to the Limited Offering Memorandum, the development is a mixed-use campus designed to provide entertainment, lodging, shopping and dining venues for tourists visiting the Washington D.C. metropolitan area and northern Virginia.

According to the Limited Offering Memorandum, the bond proceeds are being used to finance a portion of the costs of certain public improvements related to the development within the district (the "Project"). The construction of public improvements consists of, among other things, public roads (curbs, gutters, paving, stripping, sidewalks and traffic signals), a storm water drainage system, public water and sanitary sewer lines and facilities, sanitary sewer pump stations, development signage, and landscaping.

The information regarding development activity was provided by the company 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 December 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.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The district consists of approximately 22 parcels of land totaling approximately 497.15 acres, of which approximately 245.9 acres can be developed. The development is located in Fredericksburg, Virginia, approximately 49 miles south of Washington, D.C. and approximately 55 miles north of Richmond, Virginia.

The development is a mixed-use campus designed to provide entertainment, lodging, shopping and dining venues for tourists visiting the Washington D.C. metropolitan area and northern Virginia. The development consists of existing and proposed attraction anchors including the Fredericksburg Expo Center, the entertainment district, the hotel development, the Eco-Center, the retail development, and the residential development. The development is part of an overall development plan of Silver Companies, which includes (i) Celebrate Virginia North, a mixed-use corporate office campus, retail center, active adult retirement community and golf course resort, and (ii) central park, one of the largest shopping centers in Virginia.

The project is being developed by Celebrate Virginia Development Company, LLC (the "Developer") and Celebrate Virginia South, LLC (the "Landowner").

According to the Limited Offering Memorandum, the Series 2006 Bonds proceeds were issued to finance certain public infrastructure improvements consisting of public roads (curbs, gutters, paving, striping, sidewalks and traffic signals), a storm water drainage system, public water and sanitary sewer lines and facilities, sanitary sewer pump stations, development signage, and landscaping.

B. STATUS OF GOVERNMENT PERMITS

According to the Engineer's Report included in the Limited Offering Memorandum, the district had been zoned for the proposed development as planned development-commercial (PD-C) at the time bonds were issued. The majority of the infrastructure plans were approved and permits were issued. According to the Limited Offering Memorandum, the permits and approvals required for development of the project consist of zoning, pump station design, road construction permit, utility construction permit, stormwater management facility construction permit, site plan approval for individual tenants, plat approval, right-of-way and utility easements, and special use permit for residential uses. At the time the bonds were issued, the permits and approvals were still pending for the Phase II pump station, Phase II gravity sanitary sewer, regional pump station and force main, storm water management facilities, special use permit for residential uses, and site plans for individual tenants.

Table III-1 on the following page provides a summary of government permit and approvals as provided by the developer as of December 31, 2008.

Table III-1
Government Permits and Approvals

Permit / Approval	Permitting Agency	Status of Approval
Phase II pump station	City of Fredericksburg	Approved
Phase II gravity sanitary sewer, regional pump station and force main	City of Fredericksburg	Approved
Stormwater management facilities	City of Fredericksburg	Approved
Special use permit for residential uses	TBD	TBD
Site plans for individual tenants	City of Fredericksburg	As needed

C. PUBLIC IMPROVEMENTS

According to the Limited Offering Memorandum, the Series 2006 Bonds were issued to finance certain public infrastructure improvements consisting of public roads (curbs, gutters, paving, striping, sidewalks and traffic signals), a storm water drainage system, public water and sanitary sewer lines and facilities, sanitary sewer pump stations, development signage, and landscaping.

According to the developer, the design of Hospitality Drive is continuing and construction is expected to commence during the spring of 2009.

According to the developer, the construction of Carl D Silver Parkway, Phases I, IIA and IIB, are complete through base paving, and construction of the top coat of asphalt is expected to be completed during the spring of 2009. The developer reports that Phase III is currently under design development and has been delayed due to coordination with the local transportation authority, which is studying an interstate access around the project.

The developer reports that sanitary sewer lines have been installed throughout the development. The developer also reports that construction of the Phase I sewer pump station has been completed and ownership has been turned over to the public authority. The developer also reports that the design of the Phase II sewer pump station has been completed and approved. According to the developer, the installation is expected by the spring of 2009.

The developer reports that the construction of the stormwater facilities is complete except for the main storm water detention pond and stream restoration within the project. According to the developer, the plans are being reviewed for construction. The developer reports that landscaping is 100 percent complete.

As of December 31, 2008, the developer reports that $16,099,821 has been expended for construction of the public improvements, representing 80.6 percent of the total amount to be funded by the Series 2006 Bonds.

Table III-2 on the following page shows the public improvements, the original budget, budget changes, the revised budget, the amount spent, and percent complete as reported by the developer as of December 31, 2008.

Table III-2
Public Improvement Budget

Public Improvement	Original Budget	Budget Change	Revised Budget	Spent to Date	Percent Complete
Soft Costs					
Legal	$75,000	($37,193)	$37,807	$17,889	47.3%
Design & engineering	$700,000	$321,241	$1,021,241	$810,078	79.3%
Construction stakeout	$320,000	($125,240)	$194,760	$144,760	74.3%
Geotechnical	$330,000	($175,387)	$154,613	$117,890	76.2%
Permits & bonds	$190,000	($122,724)	$67,276	$47,276	70.3%
Environmental	$95,000	($46,503)	$48,497	$20,037	41.3%
Historic properties	$40,000	$60,839	$100,839	$70,839	70.2%
Utility relocations	$62,000	$28,898	$90,898	$90,898	100.0%
Hard Construction Cost					
Hospitality Drive	$850,000	$220,859	$1,070,859	$825,011	77.0%
CDS Parkway – Phase IA	$2,400,000	($94,513)	$2,305,487	$2,275,487	98.7%
CD Parkway – Phase IIA	$1,000,000	$24,488	$1,024,488	$989,710	96.6%
CDS Parkway - Phase IIB	$3,900,000	$1,226,931	$5,126,931	$4,422,296	86.3%
Sanitary sewer	$1,900,000	($150,000)	$1,750,000	$1,738,363	99.3%
CDS Parkway – Phase III	$1,000,000	($225,859)	$774,141	$204,426	26.4%
Misc. Site Construction					
Signage	$300,000	($74,780)	$225,220	$194,476	86.3%
Landscaping/irrigation	$850,000	($81,294)	$768,706	$613,342	79.8%
Stormwater/biofilters	$850,000	$1,146,318	$1,996,318	$1,688,227	84.6%
Sewer pump stations	$1,300,000	($102,851)	$1,197,149	$404,573	33.8%
Electric service	$700,000	($94,294)	$605,706	$505,801	83.5%
Street lights	$400,000	($73,279)	$326,721	$326,721	100.0%
Contingency	$1,726,200	($1,327,420)	$398,780	$0.00	0.0%
Management fee (3%)	$569,646	$0	$569,646	$465,243	81.7%
Other Costs	$424,716	($298,240)	$126,476	$126,476	100.0%
Total	**$19,982,562**	**$0**	**$19,982,562**	**$16,099,821**	**80.6%**

D. STATUS OF DEVELOPMENT

According to the Limited Offering Memorandum, the district is expected to be developed as a mixed-use campus designed to provide entertainment, lodging, shopping, and dining venues for tourists visiting the Washington D.C. metropolitan area and northern Virginia. At the time the bonds were issued, several anchors had opened or were committed to open for business within or immediately adjacent to the development. The various aspects of development include the Fredericksburg Expo and Conference Center, entertainment district, hotel development, Celebrate Virginia Eco-Center, retail development, and residential development. In addition, the U.S National Slavery Museum is being developed adjacent to the development.

According to the Limited Offering Memorandum, the property was zoned in August 1998 and land sales activities commenced in 2003. The development activities within the district consist of the following:

Fredericksburg Expo Center

According to the Limited Offering Memorandum, the Fredericksburg Expo Center, which was opened in December 2005, is a 116,000 square foot state-of-the-art multipurpose facility capable of hosting trade shows, exhibits, receptions, banquets, meetings and conventions. The center consists of eleven meeting rooms with a combined space of 14,000 square feet. The Fredericksburg Expo Center had already held several trade shows, including a home and garden show, gun show and recreational vehicle show, at the time the bonds were issued.

Hotel Development

According to the Limited Offering Memorandum, Celebrate Virginia South-GI, LLC had completed construction of a Hilton Garden Inn on 3.04 acres in the southeastern corner of the development at the time the bonds were issued. The Hilton Garden Inn is a 49-room five-story hotel and was opened in October 2005. The Hilton Garden Inn was sold to Apple Six Hospitality Ownership, Inc in December 2005. Celebrate Virginia-HS, LLC acquired a 3.41 acre parcel from the landowner for the purpose of constructing a 124-room Homewood Suites Hotel. Celebrate Virginia-IS, LLC had planned to acquire an approximately three-acre parcel from the landowner for the purpose of constructing a 122-room Hampton Inn at the time bonds were issued.

The developer reports that construction of a 124-room Homewood Suites Hotel was completed in 2007. The developer also reports that construction of a 122-room Hampton Inn Hotel was completed in November 2007.

The table III-3 below provides a list of hotels within the development.

<u>Table III-3</u>
Hotel Development

Owner	Construction Started	Construction Complete	Date of Occupancy
Apple Six Hospitality (Hilton Garden Inn)	March 2005	October 2005	October 2005
Cleveland Retirement Properties LLC (Homewood Suites)	July 2006	August 2007	October 2007
Cleveland Retirement Properties LLC (Hampton Inn)	April 2006	November 2007	December 2007

Entertainment District

According to the Limited Offering Memorandum, an approximately 16-acre pedestrian friendly entertainment district was proposed within the development. The entertainment district was expected to include a variety of live music entertainment venues, concert stages, themed restaurants, and retail stores in a unique outdoor setting. As a part of the entertainment district, the landowner was proposing to construct an aerial gondola cable system that will transport visitors across Rappahannock River to historical attractions in Stafford County, Virginia. As of March 27, 2009, the developer reports that a verbal commitment has been secured with an international company to design, build, own and operate the gondola cable system in Celebrate Virginia.

Eco-Center

According to the Limited Offering Memorandum, the landowner has proposed an Eco-Center within a

129-acre conservation easement that lies within the development along the Rappahannock River. According to the Limited Offering Memorandum, allowed uses within the Eco-Center would include camping in year-round climate controlled tents, canoeing, hiking, biking, fishing, rock climbing, and nature watching. According to the developer, as of December 31, 2008, there has been no progress on this part of the development.

Retail & Commercial Development

According to the Limited Offering Memorandum, 190.5 net acres of developable land were proposed to be developed as a mixture of retail establishments, restaurants and attractions (the "Retail Development") catering to tourists, business travelers, and regional shoppers. Planned attractions within the retail development include Water Park Hotel and Worldstreet. According to the developer, the development of Worldstreet retail center has been discontinued due to difficulties with international shipping/receiving and logistics. The developer reports that construction of the Water Park Hotel has not commenced due to the financing obstacle.

Table III-4 provides a summary of commercial and retail development as provided by the developer as of December 31, 2008.

Table III-4
Commercial and Retail Development

Owner	Construction Started	Construction Complete	Date of Occupancy
Ho, Jin & Claudette Kim	TBD	TBD	TBD
Suk, Kew & Hyun Kyung Kim	TBD	TBD	TBD
Buttram Portrait Studio (Willis Buttram, Jr.)	January 2004	January 2004	January 2004
Signature Investments (Friendly's Restaurant)	TBD	TBD	TBD
Fredericksburg Area Board of Realtors	September 2006	July 2007	August 2007

Residential Development

According to the Limited Offering Memorandum, the zoning ordinance governing the development allows ten percent of the land area within the development to be used for the residential development subject to obtaining a discretionary conditional permit from the City of Fredericksburg. The landowner plans to request a conditional use permit for the construction of up to 750 active adult condominiums on 54 acres of the retail development.

As of December 31, 2008, the developer reports that they are currently assessing the market demand for commercial and active adult residential units before proceeding with application for a conditional use permit.

(i) Status of Sales of Undeveloped Property

The developer reports that sales contract is currently under review for Kalahari Resorts, which consists of approximately 59 acres of land within the district, intended for an Indoor Water Park Hotel and Resort. The developer also reports that a letter of intent is currently under review with Quicker Steak & Lube for approximately two acres of land for the purpose of constructing a restaurant. According to the developer, a sales contract has been signed with Virginia Retail Properties for approximately five acres of land intended for a retail multi-use center.

Table III-5 below provides a summary of property type, acreage, sales status proposed development and the anticipated dates of construction as reported by the developer as of April 17, 2009.

Table III-5
Status of Sales of Undeveloped Property

Name	Acreage	Proposed Development	Sales Status	Anticipated Construction Start	Anticipated Date of Completion
*Kalahari Resorts	59	Indoor Water Park Hotel and Resort	Reviewing contract	TBD	TBD
Quicker Steak & Lube	2	Restaurant	Reviewing letter of intent	November 2010	February 2011
Virginia Properties Retail	4.5	Retail Multi-Use	Contract signed	April 2010	December 2010
Total	**65.5**				

*Expo Center is currently leasing approximately nine acres within Kalahari Resorts

(ii) Status of Leasing

The developer reports that ground leases have been signed for approximately 43 acres of land within the district. The developer reports that PNC Bank, which occupies approximately one acre of land, is currently under construction. According to the developer, a ground lease has been signed with Wegman's for approximately nineteen acres of land intended for a grocery store, which is currently under construction. The developer reports that a lease has been signed with Royal Farm for approximately three acres of land for the purpose of constructing a convenient store. According to the developer, a lease has been signed with Fredericksburg Expo Conference Center for approximately nineteen acres of land and is currently open for business.

Table III-6 below provides a list of leasing status including the name of tenant, acreage, proposed use and the occupancy status as reported by the developer as of April 17, 2009.

Table III-6
Status of Leasing

Tenant	Acreage	Proposed Use	Occupancy Status
PNC Bank	1.29	Bank	Under construction
Wegman's	18.50	Grocery Store	Under construction
Virginia Credit Union	2.00	Bank	Open
Royal Farms	2.50	Convenient store	Pending
Fredericksburg Expo Conference Center	18.50	Conference center	Open
Total	**42.79**		

D. STATUS OF FINANCING

According to the Limited Offering Memorandum, approximately $1,500,000 was needed to complete the infrastructure required by the development plan in addition to the bond proceeds. The additional proceeds were required for completion of the Carl D. Silver Parkway loop through the property owned by the National Slavery Museum. The cost of this connection was expected to be incurred by the National Slavery Museum. According to the Limited Offering Memorandum, if the museum fails to meet the obligation to construct the Carl D. Parkway loop, the developer was expected to complete the work at its own expense.

According to the Limited Offering Memorandum, Provident Bank provided a development loan to the landowner for the construction of, among other things, the project. The loan was secured by a first deed of trust on approximately 108 acres in the development. The maximum loan amount is $17,444,474. According to the developer, the terms of this loan include LIBOR plus interest rate of 2.5 percent maturing on September 30, 2009. As of December 31, 2008, the developer reports that the outstanding balance on this loan was $1,408,661.

The developer reports that a $2,500,000 line of credit was obtained from Provident Bank on December 31, 2007 for the purpose of grading and developing certain pad sites. According to the developer, the terms of this loan include LIBOR plus interest rate of 2.5 percent maturing on September 1, 2009. As of December 31, 2008, the developer reports that the outstanding balance on this loan was $1,326,151.

The developer reports that a $4,000,000 construction loan was obtained from Provident Bank on November 14, 2007 for the purpose of grading a 55-acre site. According to the developer, the terms of this loan include LIBOR plus interest rate of 2.5 percent maturing on December 1, 2009. As of December 31, 2008, the developer reports that the outstanding balance on this loan was $3,225,561.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2006 Bonds is US Bank. The December 31, 2007 account balances, interest paid, additional proceeds, disbursements, and account balances for each fund as of December 31, 2008, are shown by the following table:

Table IV-1
Fund Balances

	Balance 12/31/07	Interest Paid	Additional Proceeds	Disburse-ments	Balance 12/31/08
Reserve Fund	$1,961,175	$48,086	$46,903	$142,620	$1,913,543
Construction Account	$7,168,770	$157,596	$142,620	$2,708,833	$4,760,153
Capitalized Interest Account	$701,576	$15,309	$0	$716,885	$0
Administrative Expense Fund	$3,436	$356	$52,000	$51,651	$4,141
Bond Payments Account	$0	$39	$1,669,816	$1,669,855	$1
Special Assessment Revenue Fund	$0	$1,048	$904,649	$897,576	$8,121
Total	**$9,834,957**	**$222,435**	**$2,815,988**	**$6,187,421**	**$6,685,959**

- Additional proceeds to the Construction Account represent transfers of interest income from the Reserve Fund.
- Additional proceeds to the Administrative Expense Fund were transfer from the Reserve Fund and the Revenue Fund for the payment of administrative expenses.
- Additional proceeds to the Bond Payments Account represent transfers from the Capitalized Interest Fund and the Special Assessment Revenue Fund for the payment of debt service.
- Additional proceeds to the Special Assessment Revenue Fund represent receipts of special assessment collections from the city.
- Disbursements from the Construction Account represent the payment of the construction costs of the public improvements.

The interest paid through December 31, 2008 does not include interest accrued but not yet paid. The bond proceeds in the Reserve Fund are invested in a Guaranteed Investment Contract (GIC) that pays interest of 4.93 percent semi-annually. Bond proceeds not invested in a repurchase GIC are invested in Fidelity Institutional Government money market accounts currently earning approximately 1.32 percent per annum. Table III-2 below shows the approximate rate of return on the investments.

Investment income on the Construction Account of the Improvement Fund will remain in the account and will be used for the purposes thereof until such time that an Administrator's Certificate is filed with the trustee verifying that the public improvements are complete. Upon receipt of the Administrator's Certificate, the trustee will transfer the remaining balance in the Construction Account to the Bond Payment Fund to pay semi-annual debt service or redeem principal on the bonds if the amount to be transferred is equal to or more than $100,000. Investment income on the Reserve Fund shall be transferred in the following order of priority: (i) rebate of positive arbitrage to the U.S. Treasury, (ii) to the Construction Account, if not closed, (iii) the Administrative Expenses Fund and (iv) to the Bond Payments Fund.

Table IV-2
Rate of Return

Account/Fund	Rate of Return
Reserve Fund	4.93%
Construction Account	1.32%
Revenue Fund	1.32%
Administrative Expense Fund	1.32%

V. DISTRICT OPERATIONS

A. SPECIAL ASSESSMENTS LEVIED AND COLLECTED

Special assessments in the amount of $1,592,967.81 are required to be collected in 2008 in the CDA. An explanation follows of the projected expenses of the CDA and the source of funds available to pay the expenses.

Annual Revenue Requirement

An Annual Installment is to be imposed each year within the Celebrate Virginia South Community Development Authority in an amount not to exceed the "Annual Revenue Requirement." The annual revenue requirement, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) available investment income and capitalized interest. Special assessments in the amount of $1,592,968 should be collected in 2008 in order to meet the annual revenue requirement.

Table V-1 below provides a summary of the Annual Revenue Requirement for 2008.

Table V-1
Annual Revenue Requirement
2008 Tax Year

Debt service:	
Interest Payment, September 2008	$781,250
Interest Payment, March 2009	$781,250
Principal Payment, March 2009	$0
Total Debt Service	$1,562,500
CDA operations	$52,000
Sub-total expenses	$1,614,500
Reserve Fund Investment Income	($0)
Surplus from Prior Year	$21,532
Annual Revenue Requirement for 2008	$1,592,968

Debt Service

Debt service includes interest payments on the bonds payable on September 1, 2008 and March 1, 2009. Each interest payment is $781,250 and is equal to an annual coupon rate of 6.25 percent on the outstanding bonds of $25,000,000. There is no principal payment due on the bonds on March 1, 2009. As a result, total debt service on the bonds is $1,562,500.

CDA Operations

The estimated expenses for CDA operations in tax year 2008 are shown in Table V-2

Table V-2
Estimated Expenses of CDA Operations
2008 Tax Year

Meetings of the authority 4 meetings each year at $1,500 per meeting	$6,000
CDA Counsel	$5,000
Trustee	$4,000
Administrator	$12,000
Contingency	$25,000
Total administrative expenses 2008	$52,000

Reserve Fund Investment Income

As of December 31, 2007, the Reserve Fund balance was $1,961,174.89, which is equal to the reserve requirement of $1,913,375.00 and investment income posted to the fund of $47,799.89. The reserve requirement is invested in an AIG Guaranteed Investment Contract (GIC) earning 4.93 percent per annum and maturing on September 1, 2011. This yield on the current required balance of $1,913,375.00 will result in annual investment income of $94,329.39. Pursuant to Section 4.04(d) of the Trust Indenture, monies in the Reserve Fund in excess of the reserve requirement are to be transferred to the Construction Account until such time that an Administrator's Certificate is filed with the trustee verifying that the public improvements are complete. As a result, the annual investment income earned on the Reserve Fund will not be made available to pay debt service in 2008 and 2009.

Surplus from Prior Year

The estimated surplus from the prior year that may be applied to pay debt service and administrative expenses in tax year 2008 is outlined below in Table V-3. An aggregate debt service payment in the amount of $781,250.00 is due on March 1, 2008. Annual assessments in the amount of $104,198.61 were to be collected for tax year 2007 and were due in two equal installments of $52,099.31 on June 5th and December 5th, 2007. The City of Fredericksburg Treasurer has reported collecting $103,166.79 of the annual assessments for tax year 2007. The City anticipates transferring these assessments to the trustee prior to the next debt service payment date of March 1, 2008. According to the City of Fredericksburg Treasurer, there is one parcel, 312-A-2D, which is owned by CVA Expo Center, that has not paid the second half installment of the special assessment for tax year 2007. According to the City of Fredericksburg Treasurer, the outstanding balance on this parcel, including interest and penalties, is $1,144.47. For purposes of calculating the surplus from the prior year, this amount is not included.

As of December 31, 2007, the balance in the Capitalized Interest Account was $701,575.98. An amount equal to $572,744.00 in the Capitalized Interest Account is currently invested in an AIG Guaranteed Investment Contract (GIC) earning 4.93 percent per annum and maturing on March 1, 2008. An additional $128,831.98 in the Capitalized Interest Account is invested in a money market fund earning 4.00 percent per annum. Money market rates have been declining over the last few months so estimated investment income on the proceeds invested in the money market are based on a rate of return of 3.50 percent. As shown in the table below, this yield on the amount currently invested in the GIC and the money market fund will result in $14,869.66 in investment income through March 1, 2008. These funds will be used to pay a portion of the debt service payment on March 1, 2008.

As of December 31, 2007, the balance in the Special Assessment Revenue and the Bond Payment Funds was zero. As of December 31, 2007, the Reserve Fund balance was $1,961,174.89, which is equal to the reserve requirement of $1,913,375.00 and investment income posted to the fund of $47,799.89. Pursuant to Section 4.04(d) of the Trust Indenture, monies in the Reserve Fund in excess of the reserve requirement are to be transferred to the Construction Account until such time that an Administrator's Certificate is filed with the trustee verifying that the public improvements are complete. As a result, the investment income earned on the Reserve Fund will not be made available to pay debt service on March 1, 2008.

Table V-3
Surplus from Prior Year

Debt Service:	
Interest payment, March 2008	$781,250
Principal payment, March 2008	$0
Total debt service	$781,250
Unfunded administrative expenses at December 31, 2007	$20,266
Subtotal expenses	$801,516
Available funds:	
Second half-annual assessments to be transferred	($103,167)
Fund balances:	
Capitalized Interest Account Balance at December 31, 2007	($701,576)
Capitalized Interest Account investment income at March 1, 2008	($14,870)
Special assessment revenue fund at December 31, 2007	($0)
Bond fund balance at December 31, 2007	($0)
Available Reserve Fund investment income at December 31, 2007	($0)
Reserve Fund investment income at March 1, 2008	($0)
Available Administrative Expense Fund at December 31, 2007	($3,436)
Subtotal available funds	($823,048)
Surplus from prior year	$21,532

As of December 31, 2007, the balance in the Administrative Expense Fund was $3,436. Administrative expenses for tax year 2007 were estimated to be $52,000.00. As of December 31, 2007, administrative expenses totaling $31,734 had been paid from the Administrative Expense Fund for tax year 2007, resulting in a balance of $20,266 in administrative expenses to be paid with annual assessments collected in 2007.

Accordingly, the annual assessments collected in 2007, available capitalized interest, and the balance in the Administrative Expense Fund exceed the March 1, 2008 debt service payment and the balance of administrative expenses for tax year 2007, resulting in a surplus of $21,532 that may be applied to pay debt service and administrative expenses for tax year 2008.

B. DELINQUENT SPECIAL ASSESSMENTS

Special assessments in the amount of $104,199 were levied for tax year 2007. As of June 11, 2008, the City of Fredericksburg reports that annual assessments in the amount of $104,199 were collected. As a result, there were no delinquent annual assessments for tax year 2007.

Special assessments in the amount of $1,592,968 were levied for tax year 2008 to be collected in two installments of $796,484. As of February 17, 2009, the City of Fredericksburg reports that annual assessments for tax year 2008 in the amount of $1,595,789 have been collected and transferred to the trustee. Of this amount, $2,908 represents interest and penalty. According to the county, special assessments for parcel 312-A1060 in the amount of $86.61 remain outstanding.

C. COLLECTION EFFORTS

There are no collection efforts underway at this time.

VI. DISTRICT FINANCIAL INFORMATION

The information provided in this section is intended 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 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, 2008, unless otherwise stated.

A. AUTHORITY'S FINANCIAL STATEMENTS

The authority's audited financial statements will be provided under separate cover.

B. SPECIAL ASSESSMENT LIENS ON ALL PROPERTY AND SPECIAL ASSESSMENT LIENS PREPAID

The total of the special assessment liens on all property as of the first and last day of the tax year (July 1, 2007 – June 30, 2008) and the assessment liens prepaid during the tax year are shown by the following table:

Table VI-1
Total Assessment Liens

	Amount
Special assessment lien as of July 1, 2007	$25,000,000
Special assessments prepaid during tax year	$0
Special assessments lien as of June 30, 2008	$25,000,000

C. SPECIAL ASSESSMENTS LEVIED

Special assessments in the amount of $1,592,968 were levied for the 2008 tax year. Special assessments levied for 2008 are described in Section V of this report, "District Operations."

D. SPECIAL ASSESSMENTS COLLECTED AND SPECIAL ASSESSMENT REVENUES RECEIVED BY THE TRUSTEE

Special assessments in the amount of $1,592,968 were billed for the 2008 tax year to be collected in two installments of $796,484. As of February 17, 2009, the City of Fredericksburg reports that special assessments in the amount of $1,595,789 for the 2008 tax year have been collected and transferred to the trustee. Of this amount, $2,908 represents interest and penalty.

E. SPECIAL ASSESSMENT DELINQUENCIES

There were no delinquent special assessments for tax years 2006 and 2007. The delinquent annual assessments are shown by the table below.

Table VI-2
Delinquent Annual Assessments

	Amount Delinquent
Six months delinquent	$0
One year delinquent	$0
Two years delinquent	$0
Total	$0

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

F. FORECLOSURE PROCEEDINGS

There have been no foreclosure proceedings for tax year 2008. The special assessments subject to foreclosure proceedings are shown by the following table:

Table-VI-3
Annual Assessments Subject to Foreclosure Proceedings

	Amount
Subject to foreclosure but not yet instituted	$0
Foreclosure instituted but not concluded	$0
Judgment obtained but not yet collected	$0
Reduced to Judgment and collected	$0
Total	$0

G. SPECIAL ASSESSMENT PREPAYMENTS

There were no special assessment prepayments for tax year 2008. The amount of special assessment prepayments received and the amount of bonds redeemed or called for redemption as a result of such prepayments is shown in table VI-4 below.

Table VI-4
Special Assessment Prepayments

	Amount
Special assessment prepayments	$0
Bonds redeemed	$0
Bonds called for redemption	$0
Total	$0

H. FUND BALANCES

The balances of the funds and accounts are provided under Section IV, "Trustee Accounts," of this report.

I. BONDS OUTSTANDING

As of December 31, 2008, the amount outstanding of the Series 2006 was $25,000,000.

J. 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-5 below:

Table VI-5
Principal and Interest on the Bonds
Bond Year Ending March 1, 2008

Date	Principal	Interest
September 1, 2007	$0	$781,250
March 1, 2008	$0	$781,250

The principal and interest due on the bonds in the bond year ending March 1, 2009 is shown in Table VI-6 below:

Table VI-6
Principal and Interest on the Bonds
Bond Year Ending March 1, 2009

Date	Principal	Interest
September 1, 2008	$0	$781,250
March 1, 2009	$0	$781,250

K. AMENDMENT TO THE CONTINUING DISCLOSURE AGREEMENT AND CHANGE TO THE FINANCIAL STATEMENT OF THE AUTHORITY

The administrator is not aware of any amendments to the continuing disclosure agreement or any change to the financial statements of the authority as of the date of this report.

VII. LISTED EVENTS

The administrator is required to file a notice with the Municipal Securities Rulemaking Board, the National Repository and the State Repository, and send a copy thereof to the participating underwriter; to each bondholder and beneficial owner who shall have filed a request with the Authority; to the landowner and to the developer.

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 this disclosure agreement or other modifications to the rights of the beneficial owners;

(iv) Optional, mandatory or other redemption of any bonds;

(v) Defeasance of the bonds or any portion thereof;

(vi) Any change in any rating of the bonds (it being understood that the bonds are not rated as of their date of issue);

(vii) (A) Receipt of any adverse opinion with respect to the tax exempt status of the bonds; or

(B) Any event affecting the tax-exempt status of the bonds, including, but not limited to:

(1) Any challenge to the tax-exempt status of the bonds by the Internal Revenue Service or in any administrative or judicial proceedings; or

(2) The issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official authority or by any court adversely affecting the tax exempt status of the bonds or, when and if known to the Authority, bonds of 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 of the bonds reflecting financial difficulties;

(x) The substitution of credit or liquidity providers, or their failure to perform;

(xi) The failure of the Authority to timely file to the annual report as required under Sections 2 and 3;

(xii) Any change in the Authority Tax Year;

(xiii) 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.

The administrator is not aware of the occurrence of any listed event as of the date of this report.