DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Quarter Ending June 30, 2008

$6,630,000 and $7,040,000 Virginia Gateway Community Development Authority (Prince William County, Virginia) Special Assessment Bonds Series 1999 and 2003B

Prepared by:

MUNICAP, INC.

October 3, 2008

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. *UPDATED INFORMATION*

The information provided below is updated as of the quarter ending June 30, 2008.

- The developer reports that lot sells have commenced on the residential development of Virginia Gateway. The residential development (Wentworth Green), which is located west of Limestone Drive and South of Wellington Road, consists of approximately 392 acres of land. The developer also reports that the residential development is expected to include 170 single-family detached homes, 206 townhouse units and 96 condominium units. According to the developer, there have been no lots platted as of September 24, 2008.

- As of June 30, 2008, the developer reports that the outstanding balance on the Wachovia construction loan was $31,676,856. The outstanding balance during the previous reporting period was $25,246,781.

- As of June 30, 2008, the developer reports that Atlas Office L.C and Gateway Crossing, L.C (Land Bay I) have obtained a $12,000,000 construction loan from Union Bank of California to finance previously constructed 40,000 square foot Atlas Office and the current construction of a 7-11 Convenience Store located at Land Bay I. According to the developer, the terms of this loan include an interest of LIBOR 1.5 percent maturing on March 26, 2011. As of June 30, 2008, the developer reports that the outstanding balance on this loan was $9,818,841.

- According to the developer, NVR has contracted to sell the residential lots located within the Wentworth Green, residential development of Virginia Gateway. As of June 30, 2008, the developer reports that Virginia Gateway Investment L.C has entered into a Deed of Trust Note with NVR (NVR Deed of Trust) to secure a deposit given by NVR in the amount of $5,000,000.

- As of June 30, 2008, the developer reports that Soccer Plus, which occupies 2,859 square feet, vacated Gateway Commerce Center in May 2008. The developer is currently marketing the space to other potential tenants.

- As of June 30, 2008, the developer reports that leases have been signed for 52,486 square feet of the total 57,000 square feet, representing 92 percent of the leaseable space of the Gateway Commerce Center.

- As of June 30, 2008, the developer reports that a lease has been signed with Cruise Holidays for 1,822 square feet of the Atlas Walk. According to the developer, Cruise Holidays opened for business on April 7, 2008.

- As of June 30, 2008, the developer reports that Del Sol Tanning Salon, which occupies 1,200 feet of Gateway Center, vacated its place and the owner is currently marketing the space to other potential tenants.

- As of June 30, 2008, the developer reports that leases have been signed for 33,380 of square feet of the 40,000 square foot Gateway Professional Building representing 83.45 percent of the leaseable space in this building. The developer also reports that a lease has been signed with Liberty Mutual for 2,168 square feet of this facility.

- As of June 30, 2008, the developer reports that leases have been signed for 33,380 square feet of the 40,000 square foot Gateway Professional Building, which represents 83.45 percent of the leaseable space.

- Annual assessments in the amount of $930,000 are to be collected in fiscal year 2008 in two equal installments of $465,000 on July 15, 2008 and December 5, 2008. On September 11, 2008, Prince William County reports collecting first half annual assessments in the amount of $465,000, representing 100 percent of the first half annual assessments for fiscal year 2008.

II. *INTRODUCTION*

The Virginia Gateway Community Development Authority issued the $6,630,000 Series 1999 and the $7,040,000 Series 2003 Special Assessment Bonds pursuant to and in accordance with (i) the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5152 *et seq*., of the Code of Virginia, 1950, as amended, and (ii) an Indenture of Trust dated as of February 1, 1999, as supplemented by a First Supplemental Indenture of Trust, dated as of November 1, 2003, each by and between the Virginia Gateway Community Development Authority and Wachovia Fiduciary Services (formerly First Union National Bank), as trustee.

The bonds are secured by the proceeds of special assessments to be levied on the taxable parcels within the Virginia Gateway CDA (Community Development Authority) Assessment District. The authority was created and the special assessments levied pursuant to Ordinances 98-72 and 98-101 adopted by the Prince William County Board of Supervisors.

The property in the Community Development Authority consists of 363 acres of land in Prince William County, Virginia, and is located in the southeast quadrant of the U.S. Route 29 (Lee Highway) and Virginia State Route 619 (Linton Hall Road) intersection. The site is about eighteen miles south of Dulles International Airport and eight miles northwest of Manassas Regional Airport.

The property in the authority is currently being developed by partnerships affiliated with the Peterson Companies. The development will include a shopping center with approximately 107,200 square feet of leasable area, six free standing pads adjacent to the shopping center, and 343 acres for mixed use development that includes retail, office, and light and heavy industrial. At build-out, the property is expected to include in excess of one million square feet of retail space and approximately 2.5 million square feet of office and industrial space.

Pursuant to the limited offering memorandum, $6,630,000 and $7,040,000 in special assessment bonds (the Series 1999 and 2003 Bonds, respectively) were sold to finance public improvements to serve the property located within the community development authority. Subject to certain additional bond tests, the community development authority could have issued additional bonds in the amount of $4,432,366 (which had been reduced by $328,941 as a result of the special assessment prepayment on the Mobil parcel and by $292,634 as a result of the prepayment on the Burger King parcel) to finance the public improvements for the mixed use portion of the development. On February 22, 2006, the CDA Board of Directors approved a resolution that no additional bonds would be issued. As a result, total bonds issued for the CDA are equal to $13,670,000, which includes the Series 1999 Bonds of $6,630,000 and the Series 2003B Bonds of $7,040,000. Prior to the resolution the CDA could have issued $18,000,000 in bonds. As a result, total assessment liens will be reduced to equal the outstanding assessment liens.

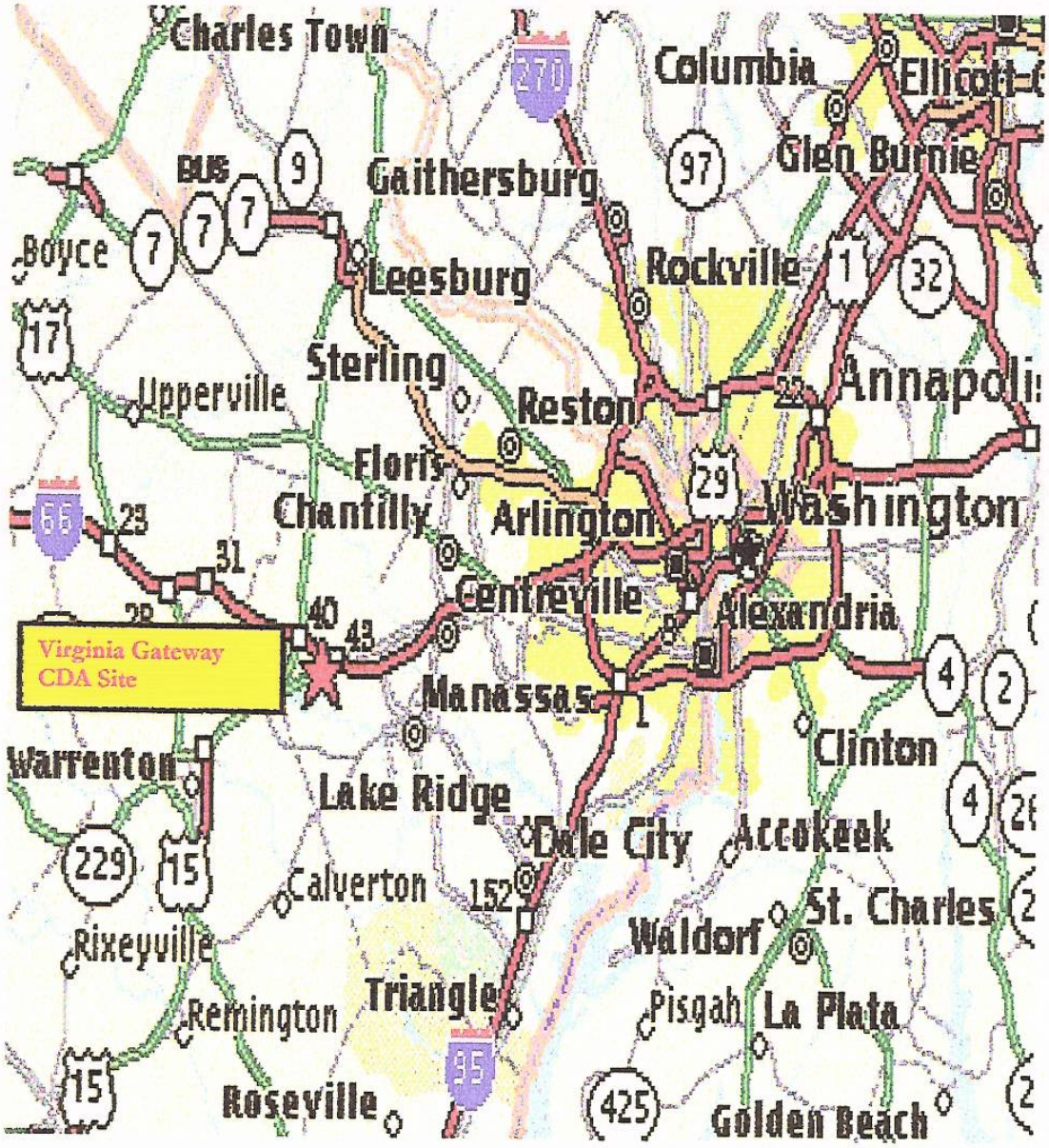
Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is not required for the bonds. However, the developer and administrator have agreed to provide information regarding the development of the property and the operations of the authority. These reports are not provided pursuant to Rule 15c2-12.

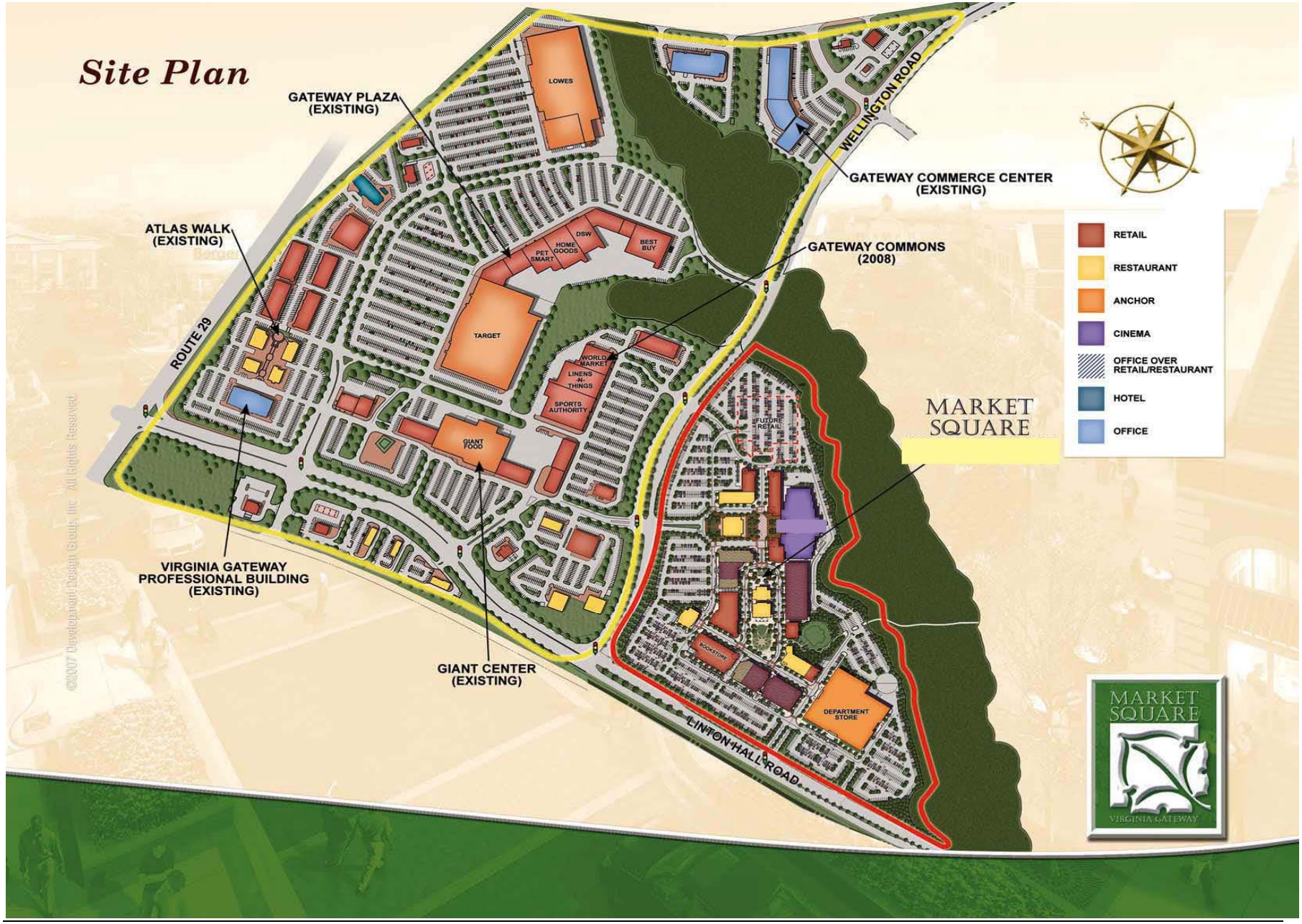
The information in this report on development activity was provided by the developer (Virginia Gateway Development, Inc.) and is believed to be accurate; however, no effort has been made to independently verify the information.

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 June 30, 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.

Virginia Gateway Community Development Authority
Location Map




Site Plan
GATEWAY PLAZA (EXISTING)
LOWES
WELLINGTON ROAD
GATEWAY COMMERCE CENTER (EXISTING)
ATLAS WALK (EXISTING)
DSW
HOME GOODS
PET SMART
BEST BUY
GATEWAY COMMONS (2008)
TARGET
ROUTE 29
WORLD MARKET
LINENS N THINGS
SPORTS AUTHORITY
GIANT FOOD
FUTURE RETAIL
MARKET SQUARE
VIRGINIA GATEWAY PROFESSIONAL BUILDING (EXISTING)
GIANT CENTER (EXISTING)
BOOKSTORE
DEPARTMENT STORE
LINTON HALL ROAD
RETAIL
RESTAURANT
ANCHOR
CINEMA
OFFICE OVER RETAIL/RESTAURANT
HOTEL
OFFICE
MARKET SQUARE
VIRGINIA GATEWAY

III. DEVELOPMENT ACTIVITY

A. PROPOSED DEVELOPMENT

(i.) Overview

The CDA originally included 363 acres of land located on the southeast quadrant of Route 29 (Lee Highway) and Route 619 (Linton Hall Road) intersection of Prince William County. The property is thirty-five miles west of Washington, D.C., eighteen miles south of Dulles International Airport, and eight miles northwest of Manassas Regional Airport.

The net developable acreage was originally estimated to be approximately 297 acres. Out of the total of approximately 363 acres, approximately seventeen acres were designated as road rights of way and approximately forty-nine acres of land was designated as an environmental resource protection area.

The development proposed within the CDA includes a mix of retail, light industrial, and office space. At build-out, the property is expected to include in excess of one million square feet of retail space and approximately 2.5 million square feet of office and industrial space.

The development existing at the time the bonds were issued included a regional engineering and operations center for Columbia Gas Company located on 10.72 acres that is not located within the CDA. There was also about 3,100 lineal feet of roads that were partially completed.

The initial development of the project, as described in the Series 1999 Limited Offering Memorandum, consists of the Gateway Center retail project and five adjacent pad spaces. Gateway Center includes a shopping center with approximately 100,000 square feet of space. A Giant Food Store anchors the shopping center with 69,677 square feet of space. There is approximately 27,360 square feet of small shop space in the center. The five pad sites are located on seven acres adjacent to the shopping center and include fast food and other restaurants, service stations, and similar facilities.

There are two additional components to the initial phase of development that have been added since the issuance of the Series 1999 Bonds. An additional building that includes 7,200 square feet of retail space has been included in the shopping center. An additional pad site for BB&T (formerly 1st Virginia Bank) was included adjacent to the shopping center, resulting in six pad sites.

The second phase of development of the project, as described in the Series 2003 Limited Offering Memorandum, consists of a 9-acre parcel of land located immediately north of the Gateway Center, the "Restaurant and Office Parcel," on which the developer envisions three or four full-service restaurants on ground leases to national and regional chains who will build their own structures on free-standing pads and a 40,000 square foot office building to be developed by the developer or an unaffiliated entity. The developer also plans to develop a 10-acre parcel, the "Small Anchors and Shop Space," on which 75,000 square feet of retail space will be constructed, a 6.5-acre parcel, "Land Bay H," on which the 57,0000 square foot flex office and retail Gateway Commerce Center will be developed by an entity related to the developer, and a flex office/industrial parcel of approximately 26 acres of property zoned M-1, which the developer plans on selling to an entity for the purpose of developing office and industrial buildings.

(ii.) Changes to the Development Plan

The developer reported that on June 28, 2005, Prince William County approved the proposed ordinance expanding the CDA by annexing five additional parcels totaling approximately 34.1 acres. This property, which includes Atlas Walk, is located along the existing northern boundary of the CDA adjacent to Wellington Road and Lee Highway. The additional property will be classified as Improvement Area C property. As a result, the assessment liens on the property within Improvement Area C were reallocated in part to the additional property and the CDA currently includes a total of approximately 397 acres of land.

The developer reports that on May 17, 2005, Prince William County approved a rezoning of approximately 148 acres of industrial land to residential use. The developer intends to build residential units on the rezoned property.

According to the developer, as of June 30, 2008, there are no material changes in the plan to develop the property as described in the limited offering memorandum other than those described below.

(iii.) Status of Development

The construction of Gateway Center was completed in the autumn of 1999 and the center opened for business on September 16, 1999. The small shop space is complete and, as of June 30, 2008, the developer reports that tenants representing 26,160 square feet of this space were open for business.

Construction of the additional building with 7,200 square feet of retail space was completed in the second quarter of 2000 and tenants representing 7,200 square feet of this space are open for business.

Six pad sites have been sold. The buyers of the six pad sites are, or in some cases, franchisees of, Goodyear, Mobil, BB&T (formerly 1st Virginia Bank), Burger King, Taco Bell and a co-branded Pizza Hut/Kentucky Fried Chicken. The Goodyear and Mobil franchisees closed on the purchase of their respective sites in November 1999 and February 2000. The BB&T (formerly 1st Virginia Bank) and Burger King franchisees closed on the purchase of their respective sites in May and June 2000. The Taco Bell franchisee closed on the purchase of their site in June 2001 and the co-branded Pizza Hut/Kentucky Fried Chicken closed on the sale of their pad site in September 2001. The Mobil Service Station, Goodyear, Burger King, BB&T (formerly 1st Virginia Bank), Taco Bell and the co-branded Pizza Hunt/Kentucky Fried Chicken are open for business.

The developer reports that two 10-acre parcels of land within the development site were sold during the first quarter of 2003. One parcel was sold to the Margaret E. Batal Family Dynasty Trust and the Karen A. Bruce Family Dynasty Trust. The other parcel was sold to J.B. Gainesville, LC. According to the developer, long-term ground leases for these parcels were simultaneously signed at closing with Virginia Gateway Associates, LP. The developer reports that the anticipated use of these two parcels are for shopping centers. The developer reports that the owner of the later parcel contributed his property to a partnership with the developer and is now a partner for a portion of the development.

The developer reports that leases have been signed with Ruby Tuesday, Pizzeria Uno and the International House of Pancakes for the Restaurant and Office Parcel. The developer reports that the International House of Pancakes opened on April 26, 2005 and that Pizzeria Uno opened on May 23, 2005. The developer reports that Ruby Tuesday opened on November 17, 2005.

The developer reports that leases have been signed for 52,486 square feet of the total 57,000 square feet, representing 92 percent of the leaseable space of the Gateway Commerce Center. Letters of intent have also been signed and leases are in negotiation with various tenants for most of the remaining leaseable space in the Gateway Commerce Center. The developer reports that the Gateway Commerce Center building is complete. The leasing and tenant build-out status for this portion of the development is provided in Table III-5 below.

The developer reports that the Atlas Walk component was part of the new property annexed into the CDA in 2005. The developer reports it will consist of 10 buildings and is expected to be complete by the end of 2006. The developer reports leases have been signed for 57,556 square feet of the total 109,000 square feet, representing 52.80 percent of the leaseable space. The leasing and tenant build-out status for this portion of the development is provided in Tables III-6 and III-7 below.

According to the developer, a contract for the sale of Parcel Q, which is located within the Atlas Walk component of the CDA, for the construction of a 95 room Hampton Inn closed on December 22, 2005. According to the developer, a ground lease with Citgo has been signed for Parcel L, which is located within Atlas Walk. The developer reports that the Citgo Gas Station opened on April 17, 2006. According to the developer, Parcel M, which is also located within Atlas Walk, was sold to an unrelated entity who has leased this parcel to Chevy Chase Bank. According to the developer, Chevy Chase Bank opened on July 7, 2006.

The Developer reports that construction of Buildings A and D in the Atlas Walk component is continuing. The developer reports Building A, the Gateway Professional Building, is a two-story, 40,000 square feet office building. Leasing will focus on tenants providing professional services. The developer reports leases signed for a total of 33,380 square feet of this 40,000 square foot facility, representing 83.45 percent of the leaseable space in Building A. The developer reports Building D is a 6,800 square foot facility planned for additional retail shops and food uses. The developer reports this space is fully leased to American Tap Room. The leasing and tenant build-out status for this portion of the development is provided in Table III-7 below.

The developer reports the in-line component of Atlas Walk, consisting of three parcels, was part of the property annexed into the district in 2005. The developer reports this component will consist of eight buildings with a total of 164,000 square feet with the last building expected to be completed in 2008. The developer reports the in-line component is owned by Gateway Center, LC. The developer reports that leases have been signed for 137,235 square feet of the total 164,000 square feet, representing 83.68 percent of this facility. The leasing and tenant build-out status for this portion of the development is provided in Table III-8 below.

The developer reports that construction has commenced on approximately 160,000 square feet of additional retail space known as Gateway Commons. The Gateway Commons, which is located between the Giant Center and the Gateway Plaza, is expected to include a strip of three small anchors, two strips of in-line retailers, and several pad sites. The developer also reports that leases have been signed for 134,561 square feet of the total 160,000 square feet, representing 84.10 percent of the total leasable space. The leasing and tenant build-out status for this portion of the development is provided in Table III-9 below.

The developer reports that site work has begun to develop a 500,000 square foot town-center project known as Market Square (Phase V). The Market Square, which is located at the intersection of New Wellington and Linton Hall Roads, is expected to include approximately 100,000 square feet of commercial space, 60,000 square feet of movie theater space and 300,000 square feet of retail space. The developer also reports that early leasing and market efforts are underway. According to the developer, construction is anticipated to be completed by the end of 2009.

The developer reports that lot sells have commenced on the residential development of Virginia Gateway. The residential development (Wentworth Green), which is located west of Limestone Drive and South of Wellington Road, consists of approximately 392 acres of land. The developer also reports that the residential development is expected to include 170 single-family detached homes, 206 townhouse units and 96 condominium units. According to the developer, there have been no lots platted as of September 24, 2008.

B. DEVELOPER AND LAND OWNERS

(i.) Overview

Gateway Center and the land in the CDA are owned and being developed by affiliates of the Peterson Companies, which is owned by Milton Peterson and his family. The developer of Gateway Center is Virginia Gateway Development, Inc. The owner of Gateway Center is Virginia Gateway Retail L.C. The owner of the remaining property in the CDA, with the exception of the pad sites that have been sold, is Virginia Gateway Associates L.P.

(ii.) Changes in Organization of Owners and Developer

According to the developer, there have been no material changes to the organization of the owners or the developer as described in the Limited Offering Memorandum. The developer reports that the ownership of a portion of its land area was transferred to Gateway Plaza I and Gateway Plaza II, entities that were owned solely by Gateway Center, LC until January 2007. According to the developer, this change was made to facilitate financing of the retail located on this land and has no impact on the effective ownership.

(iii.) Representation Regarding Net Worth

The continuing disclosure agreement requires the land owners (as defined in the agreement) to certify annually that the net worth of the Peterson Family is not less than $50,000,000. The land owners, that are Virginia Gateway Retail L.C. and Virginia Gateway Associates L.P., have certified that "as of July 11, 2008, the net worth of the Peterson Family (as defined in the Land Owners Continuing Disclosure Agreement dated February 1, 1999) is not less than $50,000,000."

C. GOVERNMENTAL APPROVALS AND PERMITS

(i.) Overview

The property in the CDA has received all major land use rights for the proposed development. The development's zoning and proffers are vested and subject to no additional review or approvals by the county. Individual site plans are necessary to develop specific parcels within the CDA. Site plan approvals are administrative and generally do not require public hearings. The site plan approval process generally requires approximately seven months to complete.

The zoning of the property in the CDA originally included 137 acres zoned B-1 (general retail), approximately seventy-four acres zoned M-1 (heavy industrial), approximately 146 acres zoned M-2 (light industrial), and six acres zoned A-1 (agricultural). This includes seventeen acres intended for road rights of way and 49 acres designated as a resource protection area. Development will not occur on this property. According to the developer, the Prince William County Board approved annexation of approximately 34 acres of additional land in to the CDA on June 28, 2005. The annexed land includes approximately 103,000 square feet of existing retail development and approximately 120,000 square feet for future development.

Certain types of uses, such as automotive, fast food restaurants, and banks with drive through windows, require a special use permit in addition to site plan approval. The special use permit approval process requires approximately five months to complete, requires a public hearing, and generally precedes the site plan approval process.

(ii.) Status of Governmental Approvals and Permits

Since the issuance of the Bonds, special use permits and site plan approvals for several of the pad sites have been received as follows:

Goodyear:	Special use permit and site plan approved
Mobil:	Special use permit and site plan approved
1st Virginia Bank:	Special use permit and site plan approved
Burger King:	Special use permit and site plan approved
Taco Bell:	Special use permit and site plan approved
Pizza Hut/KFC:	Special use permit and site plan approved
IHOP:	Site plan approved
Pizzeria Uno:	Site plan approved
Ruby Tuesday:	Site plan approved
Land Bay H:	Site plan approved

According to the developer, special use permits are not required at this time for the development of the Restaurant and Office parcel or Land Bay H.

The developer reports that on May 17, 2005, Prince William County approved a rezoning of approximately 148 acres of industrial land to residential use. The developer intends to build residential units on the rezoned property.

(iii.) Challenges to Governmental Approvals and Permits

According to the developer, as of June 30, 2008, there had been no material legislative, administrative, or judicial challenges to the governmental approvals and permits required for the development of the property as the proposed development was described in the limited offering memorandum.

D. PROPOSED PUBLIC IMPROVEMENTS

(i.) Overview

The public improvements to be constructed and partially funded from the proceeds of the Series 1999 Bonds consist of a portion of New Linton Hall Road, intersection improvements to Route 29 and New Linton Hall Road, Whitney Road, and a sewer trunk line. New Linton Hall Road will diverge from the old Linton Hall Road southeast of Route 29 and will continue through the CDA until it intersects Route 29. Whitney Road will connect the old Linton Hall Road and the New Linton Hall Road. The sewer trunk line will provide sewer service to Gateway Center and other property generally west of the resource protection area.

Additional bonds in the amount of $7,040,000 were issued by the CDA on December 2, 2003 to fund the costs of improvements to New Wellington Road, additional sewer trunk lines, and storm water management ponds.

(ii.) Status of Construction of the Public Improvements

Construction of New Linton Hall Road, Whitney Road, and the intersection improvements at New Linton Hall and Route 29 are complete. The Virginia Department of Transportation accepted these improvements on March 27, 2000. VDOT is now responsible for the maintenance of these improvements. Construction of the sewer trunk line is complete and Prince William County Service Authority accepted the improvements in December 1999. Prince William County is responsible for the maintenance of the improvements.

The developer reports that work on the second phase of development consisting of storm water management ponds 1, 2 and 3 are complete. The developer reports that based on the approved rezoning of approximately 148 acres of industrial land to residential use, storm water management pond 2 has been modified to reduce its size. The developer also reports that the site plan for the relocation of New Wellington Road from Linton Hall Road to Limestone Drive is complete and that construction plans and permits have been approved by Prince William County. The developer reports that site plan for the relocation of New Wellington Road from Limestone Drive to the existing Wellington Road has been approved by Prince William County. The developer reports that construction of the public improvements for the relocation of New Wellington Road from Linton Hall Road to Limestone Drive and the relocation of New Wellington Road from Limestone Drive to the existing Wellington Road, are complete and open to traffic.

The original budget for the public improvements, the revised budget, funds spent to date on construction of these improvements and the percent of completion of the improvements (measured by funds spent compared to the budget), are shown by the following table.

Table III-1
Status of Construction
of Public Improvements

	Original Budget	Revised Budget	Spent To Date	Percent Complete
Linton Hall Road, U.S. Route 29, Whitney Road	$4,572,732	$4,306,242	$4,306,242	100.0%
Extension of sewer trunk line	$1,178,903	$1,007,616	$1,007,616	100.0%
New Wellington Road	$0	$5,512,443	$5,512,443	100.0%
SWM Ponds	$0	$2,846,394	$2,846,394	100.0%
Total	**$5,751,635**	**$13,672,695**	**$13,672,695**	**100.0%**

E. DEVELOPMENT FINANCING

United Bank provided a construction loan for the Gateway Center. The amount of the loan was $10,300,000. As described below, this loan was repaid utilizing funds from the Wachovia (formerly First Union National Bank) loan in the third quarter of 2000.

United Bank also provided a $3,200,000 revolving line of credit collateralized on the property owned by Virginia Gateway Retail Associates, LC. A maximum of $1,800,000 of this loan could be used as cash and the balance of $1,400,000 was issued as a letter of credit. In the fourth quarter of 2003, United Bank increased the revolving line of credit that is collateralized on the property owned by Virginia Gateway Associates to the amount of $6,000,000. The developer reports that the revolving line of credit with United Bank was reduced in the fourth quarter of 2004 from $6,000,000 to $4,000,000. The developer reports that the revolving line of credit with United Bank was increased in the third quarter of 2005 from $4,000,000 to $35,000,000. As of June 30, 2008, the developer reports that the balance on the revolving line of credit with United Bank was $35,000,000, which had not changed since the prior reporting period.

An $11,000,000 permanent financing loan from Wachovia (formerly First Union National Bank) was granted to Virginia Gateway Retail Associates LC, which was used to repay the $10,300,000 construction loan on the Gateway Center. The $700,000 loan balance was applied to equity in the Gateway Center.

The developer reports that Virginia Gateway Retail Associates has obtained a $19,815,000 permanent financing loan from Citigroup, which was used to pay off the balance of the $11,000,000 permanent financing loan from Wachovia (formerly First Union National Bank). The term of this loan is ten years and the interest rate being paid is 5.68 percent. The developer reports that as of June 30, 2008, the balance on this loan was $19,815,000 and had not changed since the previous quarter.

According to the developer, Atlas Walk, L.C. has obtained a $31,000,000 permanent financing loan from Bank of America for the Atlas Walk portion of the CDA, which is part of the new property annexed into the CDA in 2005. The term of this loan is ten-years and the interest rate being paid is 5.20 percent. The developer reports that the June 30, 2008 balance on this loan was $31,000,000, which had not changed since the prior reporting period.

According to the developer, Gateway Center, L.C. has obtained a $27,000,000 construction loan from Wells Fargo that is financing the in-line component of Atlas Walk of the CDA, which is part of the new property annexed into the CDA in 2005. The term of this loan was eighteen months and the interest rate being paid is equal to Libor plus 1.55 percent. The developer reports that the Wells Fargo construction loan was refinanced with a $20,720,000 Citigroup permanent loan on March 16, 2007. According to the developer, the Citigroup permanent loan is a 10-year loan, maturing on April 6, 2017, with an interest of 5.88 percent. As of June 30, 2008, the outstanding balance on the Citigroup permanent loan was $20,720,000.

According to the developer, Virginia Gateway Associates L.P. obtained a $7,843,000 construction loan from Cardinal Bank, which will be used for the construction of the Gateway Commerce Center. The terms of this loan was two years and the interest rate being paid is Libor plus 1.75 percent. The developer reports that the Cardinal Bank construction loan was refinanced with a $17,600,000 Bank of America permanent loan on March 30, 2007. According to the developer, the Bank of America permanent loan is a 10-year loan, maturing on April 1, 2017, with an interest rate of 5.602. As of June 30, 2008, the outstanding balance on the Bank of America permanent loan for the Gateway Commerce Center was $17,600,000.

The developer reports that on August 23, 2007, Virginia Plaza II L.C and Gateway Center IV L.C obtained a $43,000,000 construction loan from Wachovia Bank to continue construction of Gateway Plaza II, to include Best Buy store and smaller in-line space. According to the developer, the loan will also fund the construction of Gateway Center IV, which includes construction of five buildings and four ground leases with three big box retail tenants. According to the developer, the loan will mature on August 23, 2009, with an interest rate of LIBOR plus 1.05 percent. As of June 30, 2008, the developer reports that the outstanding balance on this loan was $31,676,856.

According to the developer, Atlas Office L.C and Gateway Crossing, L.C (Land Bay I) have obtained a $12,000,000 construction loan from Union Bank of California to finance previously constructed 40,000 square foot Atlas Office and the current construction of a 7-11 Convenience Store located at Land Bay I and. According to the developer, the terms of this loan include LIBOR plus interest rate of 1.5 percent maturing on March 26, 2011. As of June 30, 2008, the developer reports that the outstanding balance on this loan was $9,818,841.

According to the developer, Virginia Gateway Investment L.C has entered into a Deed of Trust Note with NVR (NVR Deed of Trust) to secure a deposit given by NVR in the amount of $5,000,000. According to the developer, NVR has contracted to sell the residential lots located at Wentworth Green, residential development of Virginia Gateway.

As of June 30, 2008, the developer reports that there have been no material amendments to the terms of these loans, the loans have not been in default and there is no other indebtedness against the property owned by affiliates of the Peterson Company.

F. LEASING AND LAND SALES

(i.) Status of Land Sales

The table below shows the status of the sale of the pad sites within the CDA.

Table III-2
Status of Pad Sales

User	Service	Closing Date
Mobil	Sale of petroleum products	Closed February 2000
KFC/Pizza Hut	Co-branded restaurant	Closed September 2001
Goodyear	Sale & installation of tires	Closed November 1999
Burger King	Restaurant	Closed June 2000
BB&T (formerly1st Virginia Bank)	Branch bank w/3 stall drive-thru teller	Closed May 2000
Taco Bell	Restaurant	Closed June 2001
Hampton Inn	Hotel	Closed December 2005

The developer reports that two 10-acre parcels of land within the development site were sold during the first quarter of 2003. One parcel was sold to the Margaret E. Batal Family Dynasty Trust and the Karen A. Bruce Family Dynasty Trust. The other parcel was sold to J.B. Gainesville, LC. According to the developer, long-term ground leases for these parcels were simultaneously signed at closing with Virginia Gateway Associates, LP. The developer reports that the anticipated use of these two parcels are for shopping centers. According to the developer, the contract for sale of Parcel Q for the construction of a 95 room Hampton Inn closed on December 22, 2005.

(ii.) Status of Leasing

Gateway Center includes a Giant Food Store, which has leased 69,677 square feet, and 27,360 square feet of small shops. The following table shows the status of the leasing of the small shops as of June 30, 2008. Gateway Center was 95.6 percent leased as of June 30, 2008.

Table III-3
Gateway Center Lease Status

Tenant	Size (sf)	Service	Occupancy Status
ABC	2,320	Liquor	Opened – September 1999
A.J. Carpet & Flooring	2,000	Carpeting & tile	Opened – July 1999
Ann's Nails	1,200	Nail salon	Opened – February 2000
China Jade	2,000	Restaurant	Opened – December 1999
Christmas Gallery II	2,160	Gift shop	Opened – October 1999
Crystal Brite Cleaners	2,000	Dry cleaning	Opened – September 1999
Domino's Pizza	1,600	Carry-out pizza	Opened – August 1999
Falkland Gallery, Inc.	1,600	Art & gift shop	Opened – August 1999
GNC-Live Well	1,200	Health	Opened – July 1999
Haircuttery	1,200	Hair salon	Opened – September 1999
Mega Video	3,600	Video rental	Opened – September 1999
East Coast Verizon	1,600	Phone services	Opened – September 2005
El Tio's	2,000	Restaurant	Opened – June 2006
Subway Sandwiches	1,600	Restaurant	Opened – January 2000

According to the developer, East Coast Verizon took over the lease previously signed with Next Day Blinds, which relocated to the Atlas Walk section, and El Tio's replaced Samia's Italian Cuisine, which is defunct. As of June, 30, 2008, the developer reports that Del Sol Tanning Salon, which occupies 1,200 square feet of this facility, vacated its space and the owner is currently marketing the space to other potential tenants.

An additional building with 7,120 square feet of retail space has been added to Gateway Center. This building is fully leased. The following table shows the tenants and the status of occupancy:

Table III-4
Additional Building Lease Status

Tenant	Size (sf)	Service	Occupancy Status
Dr. Leipzig	1,920	Dentist	Opened July 2000
Haupt Chiropractor	1,600	Chiropractor	Opened March 2000
Kwon's Champion School	1,200	Martial arts school	Opened May 2000
Osaka	2,400	Restaurant	Opened April 2000

As part of the second phase of development, an additional building on Landbay H, the Gateway Commerce Center, consisting of 57,000 square feet of retail and office space was constructed within the CDA. The developer reports that leases have been signed for 52,486 square feet of the total 57,000 square feet, representing 92.0 percent of the leaseable space in this facility. The following table shows the tenants and the status of occupancy:

Table III-5
Gateway Commerce Center (Landbay H)
Lease Status

Tenant	Size (sf)	Service	Occupancy Status
World Gym	14,630	Fitness center	Opened March, 2007
State Farm	1,200	Insurance	Opened October 2005
Enterprise Rent-a-Car	1,500	Car rental service	Opened July 2005
Tiger Martial	3,040	Martial arts	Opened May, 2007
Dr. Davis Dentistry	2,400	Dental office	Opened September 2005
Dr. Khouri Dentistry	1,868	Dental office	Opened September 2005
Honor Roll Learning	2,000	Education	Opened November 2005
Edward Jones Financial	1,600	Financial services	Opened in October 2005
Long & Foster Realty	5,715	Real estate	Opened January 2006
H & R Block	2,104	Financial services	Opened January 2006
Tiny Dancer	1,846	Dancing boutique	Opened February 2006
MBH Title	3,001	Title services	Opened July 2006
Dr. Mekouar	2,669	Medical office	Opened July 2006
NVR Mortgage	8,913	Mortgage services	Opened March 2006

The developer reports that letters of intent have also been signed and leases are in negotiation with various tenants for 1,655 square feet of leaseable space in the Gateway Commerce Center. The developer also reports that Soccer Plus, which occupies 2,859 square feet, vacated Gateway Commerce Center in May 2008. The developer is currently marketing the space to other potential tenants.

The developer reports the Atlas Walk component was part of the new property annexed into

the CDA in 2005. The developer reports that leases have been signed for 57,556 square feet of the total 109,000 square feet, representing 52.8 percent of the leaseable space. Developer also reports that Bonnie Greer & Company, which occupied 1,874 square feet, vacated its space on July 31, 2007. A lease has been signed with the Running Store to occupy the vacated space and they opened for business on November 16, 2008. Piper's Place, which occupied 1,072 square feet, vacated the Atlas Walk Component on February 26, 2008. According to the developer, the Running Store is planning to occupy the space, which was vacated by Piper's Place. The developer also reports that a lease has been signed with Cruise Holidays for 1,822 square feet of the Atlas Walk to occupy the space vacated by Curves. According to the developer, Cruise Holidays opened for business on April 7, 2008. The following table shows the tenants and the status of occupancy:

Table III-6
Atlas Walk Component
Lease Status

Tenant	Size (sf)	Service	Occupancy Status
Qdoba	2,431	Mexican restaurant	Opened December 2005
Cold Stone	1,442	Ice cream restaurant	Opened in April 2005
Papa John's	1,596	Pizza restaurant	Opened in April 2005
Little Gym	4,128	Baby and toddler activities	Opened in May 2005
Town & Country	1,479	Shoes	Opened in April 2005
Backyard Boutique	2,332	Home décor	Opened November 2005
Ritz Camera	2,482	Camera shop	Opened February 2006
Starbucks	1,587	Restaurant	Opened in March 2005
UPS Store	1,583	Mailing/shipping	Opened in February 2005
MyEyeDr.	1,710	Eye care	Opened in April 2005
Cingular	1,752	Phone services	Opened in June 2005
Next Day Blinds	2,737	Home furnishings	Opened in June 2005
Cruise Holidays	1,822	Travel	Opened in April 2008
Panera	5,042	Restaurant	Opened in June 2005
Blush Bridal	1,738	Bridal store	Opened in July 2006
Guitar Gallery	1,516	Guitars and accessories	Opened in September 2006
Serenity Day Spa	3,001	Spa	Opened in September 2005
EB Games	1,602	Games	Opened in July 2005
Bubbles	1,203	Salon services	Opened in May 2005
JoAnne's Bed & Back	2,560	Bedding	Opened in January 2006
Gym Source	2,505	Health and fitness	Opened in February 2006
The Running Store	1,874	Shoes store	Opened in November 2007
Art & Frame	3,124	Prints and framing	Opened in December 2005
Cork & Fork	1,665	Wine/gourmet foods	Opened in October 2005
Bella Diamond	1,328	Jewelry	Opened in July 2005
American Barber	1,080	Hair care	Opened in July 2005
5-Guys	2,237	Restaurant	Opened in September 2005

According to the developer, the contract for sale of Parcel Q within Atlas Walk for the construction of a 95-room Hampton Inn closed on December 22, 2005. The hotel opened on February 29, 2008. The developer also reports that a ground lease has been signed with Citgo for a gas station, which opened on April 17, 2006. Chevy Chase Bank has leased a third parcel, which was sold to an unrelated entity by the developer, and the bank opened on July 7, 2006.

The Developer reports that construction of Buildings A and D at the Atlas Walk component has commenced. The developer reports Building A, the Gateway Professional Building, is a two-

story, 40,000 square feet office building. Leasing will focus on tenants providing professional services. The developer reports that leases are signed for 33,380 square feet of the total 40,000 square feet representing 83.45 percent of the leaseable space in this building. The developer reports that a lease has been signed with Wegmans for 3,509 square feet. According to the developer, Wegmans is temporarily occupying this space while its permanent location outside Virginia Gateway is being constructed. The developer reports that a lease has been signed with Liberty Mutual for 2,168 square feet of Building A. The developer reports Building D is a 6,800 square foot facility that is fully leased to American Tap Room Restaurant, the tenant opened on February 26, 2007.

Table III-7
Atlas Walk Component
Building A and D Lease Status

Tenant	Size (sf)	Service	Occupancy Status
Weichert Realty	9,309	Realtor	Opened in November 2006
RGS Title	2,876	Title service	Opened in September 2006
Cates Engineering	7,218	Structural consulting services	Opened in January 2008
Dr. Rosenberg	1,950	Medical	Opened in June 2007
Edible Arrangements	1,889	Specialty retail	Opened in January 2007
TLC Laser Eye Center	1,801	Vision services/medical	Opened in September 2007
Dr. Pleickhardt	2,660	Medical	Opened in October 2007
Liberty Mutual	2,168	Finance	Under permitting
Wegmans	3,509	Food market	Open
American Tap Room	6,800	Restaurant/micro-brew	Opened in February 2007

The developer reports the in-line component of Atlas Walk, consisting of three parcels that was part of the property annexed into the CDA in 2005, will consist of eight buildings with the last building expected to be completed in 2008. At completion, the developer reports that the in-line component will consist of 164,000 square feet of retail space. The developer reports that as of June 30, 2008 leases have been signed for 137,235 square feet of the total 164,000 square feet, representing 83.68 percent of the leaseable space. The tenants and status of occupancy for this facility are shown by the following table:

Table III-8
In-Line Component
Lease Status

Tenant	Size (sf)	Service	Occupancy Status
Justice	4,358	Apparel & accessories	Opened in May 2005
Kirklands	5,692	Home décor	Open in December 2005
Yankee Candle	2,500	Home furnishings	Opened in October 2005
Pier 1	10,383	Home furnishings	Open in February 2005
PetSmart	20,087	Pet store	Opened in October 2005
Home Goods	25,357	Home decorating	Opened in June 2006
DSW	20,015	Footwear store	Opened in April 2006
Best Buy	30,000	Electronics retail	Opened in November 2007
Honey Baked Ham	1,600	Restaurant	Under construction
Great Gatherings	17,243	Gathering services	Under construction

The developer reports that construction has commenced on approximately 160,000 square feet of additional retail space known as Gateway Commons. The Gateway Commons, which is located between the Giant Center and the Gateway Plaza, is expected to include a strip of three small

anchors, two strips of in-line retailers, and several pad sites. The developer also reports that leases have been signed for 134,561 square feet of the total 160,000 square feet, representing 84.10 percent of the total leasable space. According the developer, a lease has been signed with Chili's for 5,874 square feet space of the Gateway Commons. The following table shows the tenants and the status of occupancy:

Table III-9
Gateway Commons
Lease Status

Tenant	Size (sf)	Service	Occupancy Status
World Market	18,298	Home furnishings	Under construction
Linens 'N Things	28,554	Home furnishings	Under construction
Sports Authority	42,085	Sports and fitness	Under construction
Walgreens	14,820	Retail and pharmacy	Pad site
Chick-Fil-A	4,230	Fast food	Pad site
Pei Wei	3,000	Restaurant	Under construction
Chili's	5,874	Restaurant	Pad site
Five Below	6,505	Kids boutique	Under construction
Pizza Margherita	3,830	Restaurant	Under construction
Massage Envy	2,859	Health and fitness	Under construction
Mattress Warehouse	4,506	Retail	Under construction

G. PROJECTED NET OPERATING INCOME

The limited offering memorandum included a projection of net operating income for Gateway Center. The Land Owners Continuing Disclosure Agreement requires a statement to be provided annually "as to the net operating income for any property within the District which the Land Owners have leased to third parties in a format generally consistent with the projection in the limited offering memorandum." The following tables show the actual and projected net operating income for the Gateway Center, Atlas Walk, Virginia Gateway Retail, VA Gateway Commerce Center and Atlas Office as provided by the Land Owners.

Table III-9
Projected Net Operating Income
Gateway Center

	2006	2007	2008
Income			
Base Rent:			
Rent Potential - Retail			
Rent Potential - Retail	$280,308	$1,279,790	$1,550,080
Less: Vacancy and Collection Loss	$0	$0	($34,165)
Subtotal Base Rent	$280,308	$1,279,790	$1,515,915
Other Income (CAM, ins., RET):			
Financial Income, Expense	$0	$5,061	$6,539
Recoveries and other income	$48,912	$233,070	$158,220
Percentage Rents	$0	$0	$0
Sub-total other income	$48,912	$238,131	$164,759
Miscellaneous income	$0	$0	$0
Total income	$329,220	$1,517,921	$1,680,674
Expenses			
Administrative expenses	$13,688	$72,565	$99,490
Utilities	$15,830	$20,363	$24,075
Maintenance	$41,370	$81,210	$67,120
Taxes & Insurance	$4,169	$35,980	$29,335
Property taxes	$60,814	$102,821	$106,250
Total expenses	$135,871	$312,939	$326,270
Net Operating Income	$193,349	$1,204,982	$1,354,404

Gateway Center is also known as Gateway Plaza I; it is located adjacent to the Target pad. Income and expenses for 2006 and 2007 are actual numbers; income and expenses for 2008 are projections.

Table III-10
Projected Net Operating Income
Atlas Walk, LC.

	2006	2007	2008
Income			
Base Rent:			
Rent Potential - Retail			
Rent Potential - Retail	$2,413,728	$2,816,636	$2,855,531
Less: Vacancy and Collection Loss	$0	($90,824)	($74,426)
Subtotal Base Rent	$2,413,728	$2,725,812	$2,781,105
Other Income (CAM, ins., RET):			
Financial Income, Expense	$27,483	$13,882	$15,034
Recoveries and other income	$619,034	$800,601	$813,778
Percentage Rents	$60,844	$58,628	$52,000
Sub-total other income	$707,361	$873,111	$880,812
Miscellaneous income	$13,105	$7,719	$0
Total income	$3,134,194	$3,606,642	$3,661,917
Expenses:			
Administrative expenses	$140,307	$221,373	$169,469
Utilities	$40,327	$65,951	$47,689
Maintenance	$217,625	$329,843	$273,775
Taxes & Insurance	$20,728	$53,013	$51,068
Property taxes	$234,022	$210,594	$277,899
Miscellaneous	$37,667		$31,337
Total expenses	$690,676	$880,774	$851,237
Net Operating Income	$2,443,518	$2,725,868	$2,810,680

Atlas Walk is located along the existing northern boundary of the CDA adjacent to Wellington Road and Lee Highway. Income and expenses for 2006 and 2007 are actual numbers; income and expenses for 2008 are projections.

Table III-11
Projected Net Operating Income
Virginia Gateway Retail, LC.

	2006	2007	2008
Income			
Base Rent:			
Rent Potential - Retail			
Rent Potential - Retail	$1,609,257	$1,629,090	$1,649,769
Less: Vacancy and Collection Loss	$0	($18,878)	($10,940)
Subtotal Base Rent	$1,609,257	$1,610,212	$1,638,829
Other Income (CAM, ins., RET):			
Financial Income, Expense	$4,411	$4,740	$2,344
Recoveries and other income	$419,383	$474,463	$506,691
Percentage Rents	$23,939	$26,189	$31,600
Sub-total other income	$447,733	$505,392	$540,635
Miscellaneous income	$6,772	$7,822	$0
Total income	$2,063,762	$2,123,426	$2,179,464
Expenses:			
Administrative expenses	$100,602	$135,398	$127,172
Utilities	$17,291	$16,507	$18,558
Maintenance	$86,055	$105,400	$99,855
Taxes & Insurance	$17,047	$67,376	$67,352
Property taxes	$284,930	$307,238	$337,962
Miscellaneous	0	$10,077	
Total expenses	$505,925	$631,919	$650,899
Net Operating Income	$1,557,837	$1,491,507	$1,528,565

Virginia Gateway Retail LC represents the center anchored by a Giant Grocery store, which is located in front of New Linton Hall Road. Income and expenses for 2006 and 2007 are actual numbers; income and expenses for 2008 are projections.

Table III-12
Projected Net Operating Income
VA Gateway Commerce Center, LC.

	2006	2007	2008
Income			
Base Rent:			
Rent Potential - Retail			
Rent Potential - Retail	$1,084,509	$1,247,685	$1,274,481
Less: Vacancy and Collection Loss	($126,735)	$45,798	($150,678)
Subtotal Base Rent	$957,774	$1,293,483	$1,123,803
Other Income (CAM, ins., RET):			
Financial Income, Expense	$0	$0	$0
Recoveries and other income	$207,071	$344,112	$373,919
Percentage Rents	$0	$0	$0
Sub-total other income	$207,071	$344,112	$373,919
Miscellaneous income	($6,874)	$153,188	$177,683
Total income	$1,157,971	$1,790,783	$1,675,405
Expenses			
Administrative expenses	$40,030	$79,691	$88,773
Utilities	$21,705	$34,202	$31,180
Maintenance	$59,551	$71,434	$73,513
Taxes & Insurance	$9,926	$12,211	$14,681
Property taxes	$107,761	$145,406	$159,947
Miscellaneous	$2,995	$0	$0
Total expenses	$241,968	$342,944	$368,094
Net Operating Income	$916,003	$1,447,839	$1,307,311

Virginia Gateway Commerce is the small in-line center at the corner of Wellington Road and New Wellington Road. Income and expenses for 2006 and 2007 are actual numbers; income and expenses for 2008 are projections.

Table III-10
Projected Net Operating Income
Atlas Office, LC

	2006	2007	2008
Income			
Base Rent:			
Rent Potential - Retail			
Rent Potential - Retail	$35,815	$703,657	$1,026,784
Less: Vacancy and Collection Loss	$0	($309,761)	($56,909)
Subtotal Base Rent	$35,815	$393,896	$969,875
Other Income (CAM, ins., RET):			
Financial Income, Expense	$0	$0	$7,448
Recoveries and other income	$24,753	$120,841	$260,035
Percentage Rents	$0	$0	$0
Sub-total other income	$24,753	$120,841	$267,483
Miscellaneous income	$0	$1,438	$0
Total income	$60,568	$516,175	$1,237,358
Expenses:			
Administrative expenses	$2,700	$24,612	$55,323
Utilities	$2,627	$10,395	$13,785
Maintenance	$20,146	$65,049	$81,845
Taxes & Insurance	$12,076	$59,728	$39,830
Property taxes	$13,518	$59,042	$100,632
Total expenses	$51,067	$218,826	$291,415
Net Operating Income	$9,501	$297,349	$945,943

Atlas office L.C represents Building A of the Atlas walk component. Building A, is the Gateway Professional Building focused on tenants providing professional services and is located at the intersection of New Linton Hall Road and Route 29. Income and expenses for 2006 and 2007 are actual numbers; income and expenses for 2008 are projections.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 1999 and 2003B Bonds is U.S. Bank, National Association (formerly Wachovia Bank). The December 31, 2007 account balances, interest paid, special assessment collections and additional proceeds, disbursements and account balances as of June 30, 2008, are shown in the following table:

Table IV-1
Account Balances

	Balance 12/31/07	Interest Paid	Additional Proceeds	Disbursements	Balance 06/30/08
1999 Construction Fund	$1,997	$11	$0	$2,008	$0
Administration Expense Fund	$20,621	$219	$0	$10,826	$10,015
1999 Reserve Fund	$625,000	$16,312	$0	$16,313	$625,000
Special Assess Revenue Acct	$107,160	$2,087	$470,271	$547,731	$31,787
1999 Bond Payment Acct	$0	$3	$286,528	$286,500	$31
Special Assess Prepay Acct	$2,865	$28	$0	$2,700	$193
2003B Reserve Fund	$701,887	$8,163	$2,700	$7,622	$705,128
2003B Construction Acct	$6,523	$27	$0	$6,551	$0
2003B Bond Payments Acct	$178	$13	$270,362	$270,539	$13
Total	**$1,466,232**	**$26,864**	**$1,029,860**	**$1,150,790**	**$1,372,166**

The additional proceeds to the Special Assessment Revenue Account represent special assessments collected and transferred by the county. The additional proceeds to the Series 1999 and 2003B Bond Payments Account represent transfers from the Special Assessment Revenue Account for the payment of debt service. Disbursements from the Series 1999 and 2003B Construction Accounts were transfers of proceeds to the Series 1999 and 2003B Bond Payments Account for redemption of the Series 1999 and 2003B bonds with the proceeds remaining in the Construction Accounts of the Improvement Funds. Disbursements from the Series 1999 Reserve Fund represent transfers of Reserve Fund investment income to the Special Assessment Revenue Account. The additional proceeds to the Series 2003B Reserve Fund represent transfer of funds from the Special Assessment Prepayment Account to correct an error transaction and fully fund the reserve requirement. Disbursements from the Series 2003B Reserve Fund represent transfers of investment income to the Special Assessment Revenue Account and transfer of the Reserve Fund credit to the Bond Payment Account for the redemption of bonds with the remaining proceeds from the Construction Account of the Improvement Fund.

The interest paid through June 30, 2008 does not include interest accrued but not yet paid. Most of the proceeds are invested in investment contracts that pay interest semi-annually. Bond proceeds in the Series 1999 Reserve Fund are invested in a CDC Funding Corporation Repurchase Agreement (REPO), which is earning 5.22 percent per annum and matures on March 1, 2026. The table below shows the approximate rates of return on the investments. Funds currently not in investment contracts are invested in money market funds currently earning approximately 1.42 percent.

Investment income on the Reserve Fund will be applied in the following order of priority: (i) rebate of positive arbitrage to the U.S. Treasury, (ii) the Administrative Expense Fund, (iii) the Capitalized Interest Account, if not closed, (iv) the Bond Payments Account. Investment income on the Administrative Expense Fund will remain in the fund and be used for the purposes of the fund.

Table IV-2
Rates of Return

Account	Rate of Return
Admin Expense Fund	1.42%
1999 Reserve Fund	5.22%
Special Assess Revenue	1.42%
2003B Reserve Fund	1.42%

V. DISTRICT OPERATIONS

A. SPECIAL ASSESSMENTS LEVIED AND COLLECTED

An annual installment is to be imposed each year within the Virginia Gateway Community Development Authority in an amount sufficient to fund 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 levied and collected in 2008 would be necessary to make the payments on the bonds due on September 1, 2008 and March 1, 2009, if there are no other sources of funds to make the payments.

Table V-1 provides a summary of the annual revenue requirement for 2008. The funds available to the CDA exceed the expenses of the CDA for 2008 by $930,000. Accordingly, special assessments in the amount of $930,000 will be collected in 2008.

Table V-1
FY2008 Annual Revenue Requirement

Debt service:	
Series 1999 interest payment, September 2008	$181,532
Series 1999 interest payment, March 2009	$181,531
Series 1999 principal payment, March 2009	$112,000
Series 2003B interest payment, September 2008	$222,105
Series 2003B interest payment, March 2009	$222,105
Series 2003B principal payment, March 2009	$55,000
Total Debt Service	$974,273
CDA Operations	$43,000
Contingency	$4,102
Sub-total expenses	$1,021,374
Series 1999 Reserve Fund investment income	($32,625)
Series 2003B Reserve Fund investment income	($10,199)
Surplus from Prior Year	($48,550)
Annual Revenue Requirement	$930,000

(i.) Debt Service

Debt service includes interest on the Series 1999 and 2003 Bonds payable on September 1, 2008 and March 1, 2009. Through March 1, 2008, the Series 1999 Bonds have been redeemed with $300,000.00 in regularly scheduled principal payments, $426,000.00 in prepayments and $2,000.00 from the balance on the Series 1999 Construction Account. Accordingly, each interest payment on the Series 1999 Bonds is $181,531.25 and is equal to a semi-annual coupon rate of 6.25% on the outstanding principal balance of $5,809,000.00. Through March 1, 2008, the Series 2003 Bonds have been redeemed with $25,000.00 in regularly scheduled principal payments, $2,000.00 in prepayments and $7,000.00 from the balance on the Series 2003 Construction Account. Accordingly, each interest payment on the Series 2003 Bonds is $222,105.00 and is equal to a semi-annual coupon rate of 6.375% on the outstanding principal balance of $6,968,000.00. The principal payment due on the Series 1999 Bonds on March 1, 2009 is equal to $112,000.00. The principal payment due on the Series 2003 Bonds on March 1, 2009 is $55,000.00. Accordingly, total debt service on the bonds to be paid from special assessments collected in 2008 is $974,272.50.

(ii.) CDA Operations

The estimated expenses for CDA Operations are shown in Table V-2 below.

Table V-2
FY2008 Estimated
CDA Administrative Expenses

Meetings of the authority 2 meetings each year at $1,500 per meeting	$3,000
CDA counsel 2 meetings each year at $1,250 per meeting	$2,500
Trustee	$5,150
Administrator	$17,000
County	$2,500
Miscellaneous (tax returns, audit, insurance)	$2,000
Engineer's Annual CDA Exhibit Update	$4,500
Contingency	$6,350
Total administrative expenses 2008	$43,000

A contingency, equal to approximately twenty percent of total annual administrative expenses, has been added in order to cover additional anticipated legal expenses associated with the prepayment of assessments, parcel releases, and other sundry matters.

(iii.) Contingency

A contingency, equal to approximately one percent of estimated expenses with an additional amount to round the annual revenue requirement to the nearest ten thousand dollars, has been added in order to cover any unanticipated expenses, delinquencies or nonpayment of special assessments.

(iv.) Reserve Fund Investment Income

As of March 31, 2008, the Series 1999 Reserve Fund balance was $625,000.00, which is equal to the current reserve requirement for the Series 1999 Bonds. Bond proceeds in the Series 1999 Reserve Fund are invested in a CDC Funding Corporation Repurchase Agreement (REPO), which is earning 5.22 percent per annum and matures on March 1, 2026. This yield on the current required balance of $625,000.00 will result in estimated annual investment income of $32,625.00, which will be made available to pay debt service on September 1, 2008 and March 1, 2009.

As of March 31, 2008, the Series 2003 Reserve Fund balance was $703,400.00, which is equal to the current reserve requirement for the Series 2003 Bonds. Bond proceeds in the Series 2003 Reserve Fund are invested in a Fidelity Treasury Only CI II Money Market Fund currently earning 1.45 percent per annum. The yield on the current required balance of $703,400.00 will result in estimated annual investment income of $10,199.30, which will be made available to pay debt service on September 1, 2008 and March 1, 2009.

(v.) Surplus from Prior Year

The surplus from the prior year is outlined in Table V-4 below. The annual assessment for fiscal year 2007 was $930,000.00. Annual assessments are collected semi-annually along with the county's real property tax on July 15th and December 5th of each year. On August 24, 2007, Prince

William County transferred to the trustee $480,563.75 in first half installments, which also included $15,563.75 of the second half installment, to make the debt service payments due on the Series 1999 and 2003 Bonds on September 1, 2007. The second half installment of $446,936.25 (i.e., $449,436.25 less the county's fee of $2,500.00 for billing and collecting the annual installment of special assessments), was transferred to the Special Assessment Revenue Fund held by the trustee on January 23, 2008. This amount was used to make the debt service payments due on the Series 1999 and 2003 Bonds on March 1, 2008. As a result, debt service has been paid for the bond year ending March 1, 2008.

Table V-4
Surplus from Prior Year

Available funds:	
Series 1999 Construction Fund balance at March 31, 2008	($28)
Series 1999 Bond Payments Account balance at March 31, 2008	($3)
Series 2003B Bond Payments Account balance at March 31, 2008	($12)
Special Assessment Revenue Fund balance at March 31, 2008	($30,541)
Available Series 1999 Reserve Fund investment income at March 31, 2008	($0)
Available Series 2003B Reserve Fund investment income at March 31, 2008	($0)
Administrative Expense Fund balance at March 31, 2008	($20,776)
Subtotal available funds	($51,360)
Balance of administrative expenses for 2007	$2,810
Surplus from prior year	($48,550

As of March 31, 2008, the balance in the Series 1999 Construction Account was $27.74. The Series 1999 and 2003 Construction Accounts were closed in June 2007 when the remaining proceeds were to be transferred and used to redeem bonds. As a result, the remaining funds available in the Series 1999 Construction Account should be transferred to the Bond Payments Account and used to pay interest on the next semi-annual debt service payment date.

As of March 31, 2008, the balances in the Series 1999 and Series 2003 Bond Payments Accounts were $3.19 and $11.63, respectively. As of the same date, the balance in the Special Assessment Revenue Fund was $30,541.07. As mentioned above, the March 31, 2008 balances in the Series 1999 and 2003 Reserve Funds were $625,000.00 and 703,400.00, respectively, which is equal to the reserve requirement for each series of bonds. As a result, currently there is no available investment income in the Series 1999 and 2003 Reserve Funds to pay debt service for fiscal year 2008. As of March 31, 2008, the balance in the Administrative Expense Fund was $20,775.93. As a result, subtotal funds available to pay the balance of the administrative expenses for fiscal year 2007 are $51,359.56.

Administrative expenses for fiscal year 2007 were estimated to be $38,500.00. As of March 31, 2008, $39,629.69 in administrative expenses had been paid by the trustee. According to the CDA counsel and trustee, there remains one outstanding invoice for fiscal year 2007 in the amount of $2,809.61. Subtracting this one outstanding invoice from the subtotal available funds, results in a surplus from the prior year of $48,549.95 that may be applied to pay debt service and administrative expenses for fiscal year 2008.

(vi.) Summary

The estimated expenses of the CDA for 2008 are $1,021,374. The estimated funds available

to pay these expenses are $91,374, resulting in an annual revenue requirement of $930,000. Accordingly, special assessments in the amount of $930,000 were levied to be collected in 2008.

B. DELINQUENT SPECIAL ASSESSMENTS

There are no delinquent annual assessments for fiscal years 1999 through 2008. Annual assessments in the amount of $930,000 are to be collected in fiscal year 2008 in two equal installments of $465,000 on July 15, 2008 and December 5, 2008. On September 11, 2008, Prince William County reports collecting first half annual assessments in the amount of $465,000, representing 100 percent of the annual assessments for fiscal year 2008.

C. COLLECTION EFFORTS

There are no collection efforts underway.

VI. CDA FINANCIAL INFORMATION

A. BONDS OUTSTANDING AND RESERVE FUND

The amount of Series 1999 Bonds outstanding as of June 30, 2008 was $5,902,000. The balance in the Series 1999 Reserve Fund as of June 30, 2008, was $625,000. The amount of Series 2003B Bonds outstanding as of June 30, 2008 was $7,006,000. The balance in the Series 2003B Reserve Fund as June 30, 2008, was $705,128.

B. PREPAYMENT OF ASSESSMENTS

The special assessment on the parcel acquired by Mobil was prepaid on February 29, 2000, in the amount of $296,047. This parcel is described as Land Bay "C" in Phase I, Lot 1, and includes a land area of 1.7673 acres. The proceeds from the prepayment of the special assessment on the Mobil parcel were transferred to the construction fund in January 2002. The transfer reduced the additional bonds that may be issued by $328,941 (*i.e.,* the prepayment amount of $296,047 plus a reserve fund credit of $32,894).

The special assessment on the parcel acquired by Burger King was prepaid on April 24, 2002, in the amount of $263,371. This parcel is described as Land Bay "C" in Phase I, Lot 4, and includes a land area of 1.5722 acres.

The special assessment on the parcel acquired by North Royal Office was prepaid in January 2004, in the amount of $13,517. This parcel is described as Parcel A and includes a land area of 0.1441 acres.

The outstanding special assessment on the parcel owned by Next Generation-Linton Hall Road, LLC was prepaid in March 2004, in the amount of $2,420. This parcel is described as Parcel 1 (Daycare) and includes a land area of 1.1063 acres.

The outstanding special assessment on the parcel owned by trustees of Gainesville United Methodist Church was prepaid in March 2004 in the amount of $5,667. This parcel is described as Parcel 2 (Methodist Church) and includes a land area of 2.5907 acres.

The outstanding special assessment on a 39.5059 acre portion of Improvement Area D parcel 7397-90-5966 was prepaid in July 2005, in the amount of $54,130.

The outstanding special assessment on parcel 7497-02-3410, which consists of a 12.8 acre portion of the Improvement Area D property, was prepaid in May 2006 in the amount of $18,898.

The proceeds from the prepayment of special assessments were used to redeem bonds as described in section (C) below.

C. BONDS CALLED FOR REDEMPTION

As of June 30, 2008, Series 1999 Bonds in the total amount of $426,000 and Series 2003 Bonds in the total amount of $2,000 were called for redemption from the prepayment proceeds explained in Section (B) above.

On March 1, 2008, Series 1999 Bonds in the total amount of $2,000 and Series 2003 Bonds in the total amount of $7,000 were called for redemption from the remaining proceeds held in the Construction Account of the Improvement Fund.

D. PROPERTY OWNERSHIP

The following table shows the current property ownership in the CDA by acreage, and assessed values as of January 1, 2008.

Table VI-1
Property Ownership

	Acres	Percent	2008 Assessed Value	Percent
Atlas Office, LA	0.7754	0.20%	$5,422,900	2.25%
Atlas Walk, LC	17.9177	4.71%	$43,131,200	17.88%
Stonecrest Associate, LP	107.9447	28.37%	$16,470,400	6.83%
Gateway Center IV, LC	25.1212	6.60%	$6,018,600	2.49%
Virginia Gateway Commerce Center, LC	10.0144	2.63%	$17,968,900	7.45%
Gateway Center, LC	27.1534	7.14%	$42,240,300	17.51%
Gateway Business Center	12.3928	3.26%	$22,195,500	9.20%
Virginia Gateway Investment, LC	107.2452	28.19%	$15,610,100	6.47%
PWC School	39.4191	10.36%	$16,708,300	6.93%
Virginia Gateway 145, LLC	0.4426	0.12%	$443,600	0.18%
5300 Wellington Branch Drive, LC	4.9772	1.31%	$6,665,100	2.76%
Virshram, LLC	0.6767	0.18%	$5,621,100	2.33%
Jensen Place, LLC	0.9699	0.25%	$1,532,000	0.63%
Virginia Gateway Retail, LC	13.6254	3.58%	$26,142,300	10.84%
First Virginia Bank	1.0723	0.28%	$1,520,100	0.63%
Winco, Inc	1.7673	0.46%	$2,362,800	0.98%
KFC U.S. Properties, Inc	1.1988	0.32%	$1,239,500	0.51%
Taco Bell of America, Inc	0.8987	0.24%	$1,060,200	0.44%
Burger King Corporation	1.5675	0.41%	$1,387,000	0.57%
Next Generation - Linton Hall Road, LLC	1.1809	0.31%	$1,406,200	0.58%
Trustees of Gainesville United Methodist Church	2.9477	0.77%	$4,410,900	1.83%
Chillumgate Children Trust	1.1283	0.30%	$1,707,300	0.71%
	380.4372	100.00%	$241,264,300	100.00%

E. SPECIAL ASSESSMENTS BY OWNER

The following table shows the outstanding special assessment liens and the annual installment of the special assessments by property owner for the year 2008, based on the ownership of property as of March 31, 2008:

Table VI-2
Special Assessments by Owner

	Outstanding Assessment Lien	Percent	Annual Installment	Percent
Atlas Office, LA	$65,653.78	0.51%	$4,779.60	0.51%
Atlas Walk, LC	$1,450,618.68	11.35%	$105,605.04	11.36%
Stonecrest Associate, LP	$4,054,954.17	31.74%	$295,200.66	31.74%
Gateway Center IV, LLC	$1,803,313.46	14.11%	$131,281.22	14.12%
Virginia Gateway Commerce Center, LC	$496,345.62	3.88%	$36,133.96	3.89%
Gateway Center, LC	$1,785,361.35	13.97%	$129,974.31	13.98%
Gateway Business Center	$0.00	0.00%	$0.00	0.00%
Virginia Gateway Investment, LC	$1,036,504.21	8.11%	$75,457.51	8.11%
PWC School	$0.00	0.00%	$0.00	0.00%
Virginia Gateway 145, LLC	$0.00	0.00%	$0.00	0.00%
5300 Wellington Branch Drive, LC	$388,578.91	3.04%	$28,288.54	3.04%
Virshram, LLC	$52,719.59	0.41%	$3,837.99	0.41%
Jensen Place, LLC	$74,920.51	0.59%	$5,454.21	0.59%
Virginia Gateway Retail, LC	$1,052,475.74	8.24%	$76,620.23	8.24%
First Virginia Bank	$82,827.89	0.65%	$6,029.87	0.65%
Winco, Inc	$0.00	0.00%	$0.00	0.00%
KFC U.S. Properties, Inc	$197,077.37	1.54%	$14,347.23	1.54%
Taco Bell of America, Inc	$147,746.38	1.16%	$10,755.94	1.16%
Burger King Corporation	$0.00	0.00%	$0.00	0.00%
Next Generation - Linton Hall Road, LLC	$0.00	0.00%	$0.00	0.00%
Trustees of Gainesville United Methodist Church	$0.00	0.00%	$0.00	0.00%
Chillumgate Children Trust	$87,902.34	0.69%	$6,399.29	0.69%
	$12,777,000.00	100.00%	$930,000.00	100.00%

The special assessment liens have been reduced by $328,941 as a result of the prepayment of the special assessment on the Mobil parcel, by $292,634 as a result of the prepayment of the special assessment on the Burger King parcel, $13,516 as a result of the prepayment of the special assessment on the North Royal Office parcel, by $2,420 as a result of the prepayment of the special

assessment on the Daycare parcel, by $5,667 as a result of the prepayment of the special assessment on the Methodist Church parcel, by $54,130 as a result of the prepayment of the special assessment on one portion of the remainder Improvement Area D parcel and by $18,898 as a result of the prepayment of the special assessment on a 12.6642 acre portion of Improvement Area D property owned by Stonecrest Associates.

VII. SIGNIFICANT EVENTS

A. DEVELOPER SIGNIFICANT EVENTS

The land owners are required to notify the administrator of actual knowledge of the occurrence of a significant event, and the administrator is to notify the trustee, authority, each bond holder, the Municipal Securities Rulemaking Board, and each Nationally Recognized Municipal Securities Repository of the significant event.

Significant events generally include the following:

(i) failure to pay any real property taxes (including the special taxes) levied within the authority on a parcel owned by the land owners, the developer or any affiliate thereof;

(ii) material damage to or destruction of any development or improvements within the authority;

(iii) material default by the land owners, the developer or any affiliate thereof on any loan with respect to the construction or permanent financing of the development;

(iv) material default by the land owners, the developer or any affiliate thereof on any loan secured by property within the district owned by the land owners, the developer or any affiliate thereof;

(v) payment default by the land owners, the developer or any affiliate thereof on any loan to such party (whether or not such loan is secured by property with the district);

(vi) the filing of the land owners, the developer or any affiliate thereof, any general partner of the land owners or the developer or any owners of more than 25 percent interest in the land owners or developer in bankruptcy or any determination that any of these entities or any related or affiliated entity is unable to pay its debts as they become due; and

(vii) the filing of any lawsuit against the developer with claim for damage in excess of $1,000,000 or which may adversely affect the completion of authority development or litigation in excess of $1,000,000 which would materially adversely affect the financial conditions of the developer.

The Peterson Companies has reported that no significant events have occurred.

B. LISTED EVENTS

The administrator is required to notify the trustee, authority, each bondholder, the Municipal Securities Rulemaking Board, and each Nationally Recognized Municipal Securities Repository of actual knowledge of the occurrence of a listed event.

Listed events generally include the following:

(i) Delinquency in payment when due of any principal of or interest on the bonds;

(ii) Occurrence of any default under the indenture (other than described above) or the funding agreement;

(iii) Amendment to the indenture modifying the rights of the bond holders;

(iv) Giving notice of optional or unscheduled redemption of bonds;

(v) Defeasance of bonds or any portion thereof;

(vi) Any change in the rating, if any, on the bonds;

(vii) Adverse tax opinions or events affecting the tax-exempt status of the bonds;

(viii) The release or substitution of property securing repayment of the bonds through special assessments; and

(ix) The continuing disclosure event notices (notices of significant events) provided to the administrator by the land owners as more particularly set forth in the Land Owners Continuing Disclosure Agreement so long as the land owners own property in the district.

The administrator does not have knowledge of any listed events as of the date of this report.

Additionally, the administrator does not have knowledge of any of the following: (i) changes to the "Rate and Method of Apportionment of Special Taxes," (ii) significant amendments to land use entitlements or legal challenges to the construction of the project, or (iii) changes approved by the authority in the type of public facilities to be constructed from those described in the limited offering memorandum.