



The Peterson Companies

January 9, 2009

VIA E-Mail & Regular Mail joshua.forster@municap.com

Mr. Keenan Rice
MuniCap Public Finance
6760 Alexander Bell Drive
Suite 220
Columbia, MD 21046

**RE: Virginia Gateway CDA
Land Owners' Continuing Disclosure**

Dear Mr. Rice:

Pursuant to the terms of the Land Owner's Continuing Disclosure Agreement for the Virginia Gateway CDA, please find herein the required update for the fourth quarter of 2008. Please do not hesitate to call Paul Weinschenk at 703-631-7585 with any questions.

Status of Completion of the Facilities and Development

All facilities associated with the first bond issuance (Rt. 29, Linton Hall Road, Whitney Road and Sewer Trunk Line #1) are complete and accepted for maintenance by the appropriate governmental agencies.

The Storm Water Ponds #1, #2, and #3 associated with the second bond issuance are complete. They remain on budget. Based on the rezoning of a portion of the Development for residential, Pond #2 has been modified to reduce its size somewhat.

The construction of Wellington Road is complete and the road is open to traffic.

Gateway Center (a.k.a. Phase I), the Giant-anchored shopping center, opened for business on September 16, 1999. The adjacent, free-standing, 7,200-square foot retail building (a.k.a. Phase II) is complete. See below for leasing and rent status.

Land Owners' Indebtedness with Regard to Virginia Gateway

Citigroup - Permanent Loan

Virginia Gateway Retail Associates

| | |
|------------------------|--------------|
| Amount Funded: | \$19,815,000 |
| Outstanding Principal: | \$19,815,000 |

Virginia Gateway Associates - United Bank Acquisition Loan

| | |
|-------------|--------------|
| Amount | \$35,000,000 |
| Outstanding | \$35,000,000 |

Atlas Walk L.C. - Bank of America Permanent Loan

| | |
|-------------|--------------|
| Amount | \$31,000,000 |
| Outstanding | \$31,000,000 |

Gateway Plaza I L.C. – Citigroup Permanent Loan

| | |
|-------------|--------------|
| Amount | \$20,720,000 |
| Outstanding | \$20,720,000 |

Gateway Plaza II L.C. and Gateway Center IV L.C.– Wachovia Construction Loan

| | |
|-------------|--------------|
| Amount | \$43,000,000 |
| Outstanding | \$37,109,324 |

VA Gateway Commerce Center L.C. – Bank of America Permanent Loan

| | |
|-------------|--------------|
| Amount | \$17,600,000 |
| Outstanding | \$17,600,000 |

Virginia Gateway Investment L.C. – NVR Deed of Trust

| | |
|-------------|-------------|
| Amount | \$5,000,000 |
| Outstanding | \$5,000,000 |

Atlas Office L.C. and Gateway Crossing L.C. (Land Bay I)– Union Bank of California Construction Loan

| | |
|-------------|--------------|
| Amount | \$12,000,000 |
| Outstanding | \$10,859,691 |

No Event of Default has occurred and the Land Owners have received no written notice of any event.

There exists no other lien for borrowed money secured by the Land Owners' Property.

Status of Land Sales

The status of the six free-standing retail pads planned for this phase is as follows:

Goodyear: Sale closed November 1999.
 Mobil: Sale closed February 2000.
 1st Virginia Bank: Sale closed May 2000.
 Burger King: Sale closed June 2000.
 Taco Bell: Sale closed June 2001.
 Pizza Hut/KFC: Sale closed September 2001.

Goodyear is now open for business.
Mobil is now open for business.
First Virginia Bank is open for business as a BB&T.
Burger King is now open for business.
Taco Bell is now open for business.
Pizza Hut/KFC is now open for business.

In addition the Land Owner sold two 10-acre parcels of land within the Development during the first quarter of 2003 and simultaneously entered into long-term ground leases on these. Since that time, both of the land owners contributed their parcels to partnerships formed with the Land Owner and are now partners for portions of the Development.

Status of Leasing for Phases I & II of Virginia Gateway

Construction of the Giant-anchored shopping center, Gateway Center (Phase I), is complete. The 70,000-s.f. Giant supermarket grand opening was September 16, 1999. Occupancy of the 27,360 square foot small shop space is as follows:

| <u>Tenant</u> | <u>Size (sf)</u> | <u>Type of Tenant</u> | <u>Occupancy Status</u> |
|---------------------------------------|-------------------------|------------------------------|--------------------------------|
| ABC | 2,320 | Liquor Store | Opened - September 27, 1999 |
| A.J. Carpet & Flooring | 2,000 | Retail | Opened - July 12, 1999 |
| Ann's Nails | 1,200 | Nail Salon | Opened - February 18, 2000 |
| China Jade | 2,000 | Restaurant | Opened - December 7, 1999 |
| Christmas Gallery II | 2,160 | Gift Shop | Opened - October 23, 1999 |
| Crystal Brite Cleaners | 2,000 | Dry Cleaning | Opened - September 14, 1999 |
| * ¹ United Vacuums | 1,200 | Retail | Opened - November 3, 2008 |
| Domino's Pizza | 1,600 | Carry- Out Pizza | Opened - August 25, 1999 |
| * ² Falkland Gallery, Inc. | 1,600 | Retail | Opened - August 10, 1999 |
| GNC-Live Well | 1,200 | Retail | Opened - July 2, 1999 |
| Haircuttery | 1,200 | Hair Salon | Opened - September 17, 1999 |
| Mega Video | 3,600 | Retail | Opened - September 13, 1999 |
| * ³ East Coast Verizon | 1,600 | Retail | Opened - September 6, 2005 |
| * ⁴ El Tio's | 2,000 | Restaurant | Opened - June 10, 2006 |
| Subway | 1,600 | Fast Food Restaurant | Opened - January 28, 2000 |

*¹ Replaces Del Sol, which is defunct.

*² Falkland is behind on its rent and has been referred to counsel for collection.

*³ Replaces Next Day Blinds, which relocated to the Atlas Walk component.

*⁴ Replaces Samia's Italian Cuisine, which is defunct.

The leasing status of the approximately 7,200 square foot retail building (Phase II) is as follows:

| <u>Tenant</u> | <u>Size (sf)</u> | <u>Type of Tenant</u> | <u>Occupancy Status</u> |
|------------------------|------------------|-----------------------|-------------------------|
| Haupt Chiropractor | 1,600 | Chiropractor | Opened - March 27, 2000 |
| Osaka | 2,400 | Steakhouse | Opened - April 16, 2000 |
| Kwon's Champion School | 1,200 | Martial Arts School | Opened - May 13, 2000 |
| Dr. Leipzig | 1,920 | Dentist | Opened - July 10, 2000 |

Status of Leasing for Phase III of Virginia Gateway

Leases have been signed with Ruby Tuesday, Pizzeria Uno, and IHOP. IHOP opened April 26, 2005, and Pizzeria Uno opened May 23, 2005, Ruby Tuesday opened November 17, 2005.

A variety of leases have been signed for the 109,000 s.f. "Atlas Walk" component.

| | | |
|----------------------------------|--------------------|-----------------------------|
| Qdoba | 2,431 s.f. | Opened - December 10, 2005 |
| Cold Stone | 1,442 s.f. | Opened - April, 24, 2005 |
| Papa John's | 1,596 s.f. | Opened - April 29, 2005 |
| Little Gym | 4,128 s.f. | Opened - May 9, 2005 |
| Town & Country | 1,479 s.f. | Opened - April 23, 2005 |
| Backyard Boutique | 2,332 s.f. | Opened - November 26, 2005 |
| Ritz Camera | 2,482 s.f. | Opened - February 15, 2006 |
| Starbucks | 1,587 s.f. | Opened - March, 4, 2005 |
| UPS Store | 1,583 s.f. | Opened - February 4, 2005 |
| MyEyeDr. | 1,710 s.f. | Opened - April 25, 2005 |
| Cingular | 1,752 s.f. | Opened - June 8, 2005 |
| Next Day Blinds | 2,737 s.f. | Opened - June 24, 2005 |
| Panera | 5,042 s.f. | Opened - June 20, 2005 |
| Blush Bridal | 1,738 s.f. | Opened - July 29, 2006 |
| Guitar Gallery | 1,516 s.f. | Opened - September 25, 2006 |
| Serenity Day Spa | 3,001 s.f. | Opened - September 21, 2005 |
| EB Games | 1,602 s.f. | Opened - July 1, 2005 |
| * ¹ Cruise Holidays | 1,822 s.f. | Opened - April 7, 2008 |
| Bubbles | 1,203 s.f. | Opened - May 12, 2005 |
| JoAnne's Bed & Back | 2,560 s.f. | Opened - January 27, 2006 |
| Gym Source | 2,505 s.f. | Opened - February 7, 2006 |
| * ² The Running Store | 2,946 s.f. | Opened - November 16, 2007 |
| * ³ Art & Frame | 3,124 s.f. | Opened - December 29, 2005 |
| Cork & Fork | 1,665 s.f. | Opened - October 4, 2005 |
| * ⁴ Bella Diamond | 1,328 s.f. | Opened - July 16, 2005 |
| American Barber | 1,080 s.f. | Opened - July 30, 2005 |
| 5-Guys | 2,237 s.f. | Opened - September 24, 2005 |
| Total | 58,628 s.f. | |

*¹ Curves vacated its space on May 28, 2007 and Cruise Holidays occupies the space on a month-to-month basis. Cruise Holidays plans to close in early 2009. The Land Owner is marketing the space.

*2 Bonnie Greer & Co. vacated its 1,874 s.f. space on July 31, 2007 and their lease was terminated. A lease was signed with The Running Store, and they opened on November 16, 2007. On November 28, 2008, The Running Store opened its 1,072 s.f. expansion into the former Piper's Place space.

*3 Art & Frame owes money on its CAM Reconciliation and has been referred to outside legal counsel for action.

*4 Bella Diamond is conducting a liquidation sale and will vacate in early 2009. The Land Owner is marketing the space.

Also at Atlas Walk, the sale of a parcel of land for construction of a 95-room Hampton Inn, closed December 22, 2005. The hotel opened February 29, 2008. In addition a ground lease has been signed with Citgo for a gas station, which is open as of April 17, 2006. A third parcel was sold to an unrelated entity and a lease has been signed with Chevy Chase Bank for the parcel, which opened as of July 7, 2006.

Finally at Atlas Walk, two additional buildings "A" and "D" are complete.

Building A, is the Gateway Professional Building, it is a two-story, 40,000 s.f. office building.

Leasing is focused on tenants providing professional services. Leasing to date is as follows:

Building "A"

| | | |
|------------------------|--------------------|----------------------------------|
| Weichert Realty | 9,309 s.f. | Opened – November 7, 2006 |
| RGS Title | 2,876 s.f. | Opened – September 18, 2006 |
| Dr. Rosenberg | 1,950 s.f. | Opened – June 19, 2007 |
| Edible Arrangements | 1,889 s.f. | Opened – January 21, 2007 |
| TLC Laser Eye Center | 1,801 s.f. | Opened – September 13, 2007 |
| Cates Engineering | 7,218 s.f. | Opened – January 2, 2008 |
| Liberty Mutual | 2,168 s.f. | Opened – September 2, 2008 |
| Dr. Burger | 1,614 s.f. | Opened – December 18, 2008 |
| Dr. Ha | 2,276 s.f. | Opened – September 16, 2008 |
| *1 Fairfax OBGYN | 4,802 s.f. | Opened – December 16, 2008 |
| <u>Dr. Pleickhardt</u> | <u>2,660 s.f.</u> | <u>Opened – October 25, 2007</u> |
| Total | 38,563 s.f. | |

*1 Wegmans vacated its 3,509 s.f. temporary space, which Fairfax OBGYN will expand into. They are under construction and have already opened an additional 1,293 s.f. in an adjacent suite.

Building D is a 6,800 s.f. building. It is fully leased to a restaurant called "American Tap Room", and the tenant opened on February 26, 2007 and is paying rent.

Leases have also been signed for the 164,000 s.f. "In-Line" component of Phase III.

| | | |
|---------------|-------------|----------------------------|
| Justice | 4,358 s.f. | Opened - May 26, 2005 |
| Kirklands | 5,692 s.f. | Opened - December 12, 2005 |
| Yankee Candle | 2,500 s.f. | Opened - October 7, 2005 |
| Pier I | 10,383 s.f. | Opened - February 24, 2005 |
| PetSmart | 20,087 s.f. | Opened - October 24, 2005 |
| Home Goods | 25,357 s.f. | Opened - June 11, 2006 |
| DSW | 20,015 s.f. | Opened - April 28, 2006 |
| Best Buy | 30,000 s.f. | Opened - November 16, 2007 |

| | | |
|------------------|---------------------|----------------------------|
| Honey Baked Ham | 1,600 s.f. | Opened - February 29, 2008 |
| Great Gatherings | 17,243 s.f. | Opened - February 16, 2008 |
| Total | 137,235 s.f. | |

In addition, several leases have been signed in the 57,000 s.f. Gateway Commerce Center component of Phase III located in the Development.

| | | |
|---|--------------------|-----------------------------|
| Enterprise-Rent-A-Car | 1,500 s.f. | Opened - July 7, 2005 |
| Edward Jones Financial | 1,600 s.f. | Opened - October 10, 2005 |
| * ¹ Honor Roll Learning Center | 2,000 s.f. | Opened - November 12, 2005 |
| H & R Block | 2,104 s.f. | Opened - January 3, 2005 |
| Tiny Dancer | 1,846 s.f. | Opened - February 20, 2005 |
| MBH Title | 3,001 s.f. | Opened - July 12, 2006 |
| * ² Soccer Plus | 2,859 s.f. | Vacant |
| Dr. Mekouar | 2,669 s.f. | Opened - July 11, 2006 |
| NVR Mortgage | 8,913 s.f. | Opened - March 6, 2005 |
| World Gym | 14,630 s.f. | Opened - March 23, 2007 |
| Tiger Martial | 3,040 s.f. | Opened - May 25, 2007 |
| State Farm | 1,200 s.f. | Opened - October 13, 2005 |
| Dr. Davis, DDS | 2,400 s.f. | Opened - September 14, 2005 |
| Dr. Khouri, DMD | 1,868 s.f. | Opened - September 1, 2005 |
| Long & Foster Realty | 5,715 s.f. | Opened - January 19, 2006 |
| Total | 55,345 s.f. | |

*¹ Honor Roll may vacate its premises. The Land Owner is marketing the space.

*² Soccer Plus vacated in May of 2008. The Land Owner is marketing the space, and pursuing the tenant for its past-due rent. The McCain/Palin ticket occupied the space until November 4, and a lease is now in negotiation with a paint retailer.

Finally, the Developer has leasing efforts underway at Land Bay I, a three-pad development. The first pad has a signed lease with 7-11, which is now open for business as of December 30, 2008.

Status of Leasing for Phase IV at Virginia Gateway

The Developer has started construction of an approximately 160,000 s.f. phase of additional retail consisting of three junior anchors, shops, and pads. To date, leases have been signed as follows:

| | | |
|---------------------------------|-------------|--------------------------------------|
| World Market | 18,298 s.f. | Opened - July 13, 2008 |
| * ¹ Linens 'N Things | 28,554 s.f. | Opened - July 25, 2008 |
| Sports Authority | 42,085 s.f. | Opened - August 8, 2008 |
| Walgreens | 14,820 s.f. | Pad Site: Under Construction |
| Chick-Fil-A | 4,230 s.f. | Pad Site: Under Construction |
| Chili's | 5,874 s.f. | Pad Site: Opened - November 17, 2008 |
| Mimi's | 6,853 s.f. | Pad Site: Under Construction |
| Chipotle | 2,200 s.f. | Pad Site: Under Construction |

| | | |
|---------------------------|---------------------|-----------------------------|
| Pei Wei | 3,000 s.f. | Opened - September 15, 2008 |
| Five Below | 6,505 s.f. | Opened - October 10, 2008 |
| Pizza Margherita | 3,830 s.f. | Opened - December 8, 2008 |
| Palm Beach Tan | 2,234 s.f. | Under Construction |
| Hallmark | 5,654 s.f. | Under Construction |
| Massage Envy | 2,859 s.f. | Under Construction |
| <u>Mattress Warehouse</u> | <u>4,506 s.f.</u> | <u>Under Construction</u> |
| Total | 151,502 s.f. | |

*¹ Linens ‘N Things closed December 31, 2008. The Developer has been marketing the space.

Status of Leasing at Phase V of Virginia Gateway

The Developer’s plans to develop a roughly 500,000 s.f. town-center project at Virginia Gateway are on hold.

Organization of Land Owners and Developer

There have been no material changes to the organization or ownership of the Land Owners and Developer. Ownership of land in the Development is vested in the following entities: Gateway Center, LC; Virginia Gateway Retail L.C.; Virginia Gateway Associates, L.P.; Atlas Office L.C.; Market Square Associates, L.C.; Virginia Gateway Investment, L.C.; and Gateway Center IV, L.C. These changes were made to facilitate financing of the retail located on this land and has had no impact on the effective ownership.

Legislative, Administrative, and Judicial Challenges

There are no material Legislative, Administrative, and Judicial Challenges to the construction of the Facilities or the Development within the District.

Development of the Facilities and the Development

There are no material changes in the plan to develop the Facilities and Development as provided in the Limited Offering memorandum except as noted herein. On June 28, 2005 the Prince William County Board approved annexation of approximately 34 acres of land into the CDA District.

On May 17, 2005, the Prince William County Board approved a rezoning of approximately 148 acres of industrial zoned land to residential. The Developer intends to develop this portion of the Development with residential uses.

Development Agreement

There is a Supplemental Development Agreement in place, which, as previously disclosed to the bondholder, served to recycle certain funds paid to release Mobil from the CDA.

Notices of Default

There have been no default notices given or received by the Land Owners under any sales agreement between the Land Owners and a buyer of land within the District.

Thank you for your consideration and interest.

Sincerely,

A handwritten signature in black ink, appearing to read "W. E. Peterson", is written over a light gray rectangular background.

William E. Peterson
Manager
Virginia Gateway Associates L.P.
Virginia Gateway Retail L.C.

cc: P. Weinschenk
E. Peters
N. McGrath