

# DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Year Ending December 31, 2014

*\$25,000,000*

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

## CUSIP NUMBER

15101WAA3

Prepared by:

**MUNICAP, INC.**

February 28, 2015

# **DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT**

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## ***I. UPDATED INFORMATION***

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Information updated from the annual development activity and disclosure report for the period ended December 31, 2013 is as follows:

- Annual assessments in the amount of \$1,943,869.00 were to be collected in the 2009 tax year in two installments of \$971,934.50 each and were due on September 1, 2009 and January 15, 2010. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2009 tax year in the amount of \$636,663.00 remain outstanding, representing 32.8 percent of the total annual assessments due for the 2009 tax year. The City also reports that interest and penalties totaling \$434,242.40 have been applied to the delinquent 2009 annual assessments through February 20, 2015. The City reports that annual assessments remain unpaid on two parcels owned by entities related to the Developer, representing 100.0 percent of the outstanding annual assessments for the 2009 tax year.
- Annual assessments in the amount of \$2,927,756.25 were to be collected for the 2010-2011 tax year. The 2010-2011 tax year annual assessments were due in three equal installments of \$975,918.75 each on May 15, 2010, November 15, 2010 and May 15, 2011. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2010-2011 tax year in the amount of \$2,221,139.90 remain unpaid, representing 75.9 percent of the annual assessments due for the 2010-2011 tax year. The City also reports that interest and penalties totaling \$1,258,512.30 have been applied to the delinquent 2010-2011 annual assessments through February 20, 2015. According to the City, 2010-2011 annual assessments remain unpaid on fourteen parcels. The City reports that the thirteen parcels with outstanding annual assessments are owned by entities related to the Developer, representing 100 percent of the outstanding annual assessments for the 2010-2011 tax year.
- Annual assessments in the amount of \$1,951,837.50 were to be collected for the 2012 tax year. The 2012 tax year annual assessments were due in two equal installments of \$975,918.75 each on November 21, 2011 and May 15, 2012. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2011-2012 tax year in the amount of \$1,501,836.00 remain unpaid, representing 76.9 percent of the annual assessments due for the 2011-2012 tax year. The City also reports that interest and penalties totaling \$645,769.65 have been applied to the delinquent 2012 annual assessments through February 20, 2015. The City reports that the thirteen parcels with outstanding annual assessments are owned by entities related to the Developer, representing 100 percent of the outstanding annual assessments for the 2012 tax year.
- Annual assessments in the amount of \$1,951,837.50 were to be collected for the 2013 tax year. The 2013 tax year annual assessments were due in two equal installments of \$975,918.75 each on November 21, 2012 and May 15, 2013. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2013 tax year in the amount of \$1,372,089.98 remain unpaid, representing 70.3 percent of the annual assessments due for the 2013 tax year. The City also reports that interest and penalties totaling \$439,056.46 have been applied to the delinquent 2013 annual assessments through February 20, 2015. The City reports that assessments remain unpaid on seventeen parcels that are owned by entities related to the Developer, represented 100 percent of the outstanding annual installments for the 2013 tax year.
- Annual assessments in the amount of \$1,951,836.14 are to be collected for the 2014 tax year. The 2014 tax year annual assessments are due in two equal installments of \$975,918.07 each on November 15, 2013 and May 15, 2014. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2014 tax year in the amount of \$1,391,428.00 remain unpaid, representing 71.3 percent of the annual assessments due for the 2014 tax year. The City also reports that interest and penalties totaling \$291,662.26 have been applied to the delinquent 2014 annual assessments through February 20, 2015. The City reports that assessments remain unpaid on eighteen parcels that are owned by entities related to the Developer, represented 100 percent of the outstanding annual installments for the 2014 tax year.
- Annual assessments in the amount of \$1,951,836.14 are to be collected for the 2014 tax year. The 2014 tax

year annual assessments are due in two equal installments of \$975,918.07 each on November 15, 2014 and May 15, 2015. As of February 20, 2015, the City of Fredericksburg Treasurer reports that first half annual assessments in the amount of \$705,378.00 remain unpaid, representing 72.3 percent the first half annual assessments due for the 2015 tax year. There are no delinquent second half annual assessments outstanding for the 2015 tax year at this time.

- As more fully described in the listed event notice dated as of January 13, 2015, The Supreme Court of the Commonwealth of Virginia has reversed a decision rendered by the Circuit Court of the City of Fredericksburg concluding that the City had not demonstrated that it has strictly complied with Code Sections 15.2-5158 (A)(5) or 58.1-3965.2 allowing the City to bring suit to collect delinquent special assessments through a tax foreclosure proceeding. The Court ruled that Code Section 15.2-5158(A)(5) providing for a levy of special assessments does not, in and of itself, provide for a tax foreclosure proceeding to collect delinquent special assessments even though the special assessment constitutes a lien on the property. As of January 9, 2015, Taxing Authority Consulting Services reported that they would analyze the opinion and assess the options available to the City.
- As of December 31, 2014, the total amount of Series 2006 Bonds outstanding was \$23,882,000.00.

## ***II. INTRODUCTION***

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

According to the Limited Offering Memorandum, at the time the Series 2006 Bonds were issued, the district consisted of approximately 45 parcels of land totaling approximately 496.7 acres, of which approximately 245.9 acres could be developed. The development is located in the City of Fredericksburg, Virginia (the "City"), approximately 49 miles south of Washington, D.C. and approximately 55 miles north of Richmond, Virginia. The entrance to the development is approximately one mile north of the Route 3/Interstate 95 Interchange (Exit 130B).

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

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

The information regarding development activity was provided by the Developer and is believed to be accurate; however, no effort has been made to independently verify the information. The information provided herein is not intended to supplement or otherwise relate to the information provided in the Limited Offering Memorandum and any such intent is expressly disavowed. Rather, this report responds to the specific requirements of the continuing disclosure agreement.

**No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of December 31, 2014, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.**

### ***III. DEVELOPMENT ACTIVITY***

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#### **A. OVERVIEW**

According to the Limited Offering Memorandum, at the time the Series 2006 Bonds were issued, the district consisted of approximately 45 parcels of land totaling approximately 496.7 acres, of which approximately 245.9 acres could be developed. The development is located in Fredericksburg, Virginia, approximately 49 miles south of Washington, D.C. and approximately 55 miles north of Richmond, Virginia.

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

The Project is being developed by Celebrate Virginia Development Company, LLC (the “Developer”) and Celebrate Virginia South, LLC (the “Landowner”).

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

#### **B. STATUS OF GOVERNMENT PERMITS**

According to the Engineer’s Report included in the Limited Offering Memorandum, the district had been zoned for the proposed development as planned development-commercial (PD-C) at the time the Series 2006 Bonds were issued. The majority of the infrastructure plans were approved and permits were issued. According to the Limited Offering Memorandum, the permits and approvals required for development of the Project consist of zoning, pump station design, a road construction permit, a utility construction permit, a stormwater management facility construction permit, site plan approval for individual tenants, plat approval, right-of-way and utility easements, and a special use permit for residential uses. At the time the Series 2006 Bonds were issued, the permits and approvals were still pending for the Phase II pump station, Phase II gravity sanitary sewer, regional pump station and force main, storm water management facilities, special use permit for residential uses, and site plans for individual tenants.

Table III-1 below provides a summary of government permit and approvals as previously reported by the Developer.

**Table III-1**  
**Government Permits and Approvals**

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

## **C. PUBLIC IMPROVEMENTS**

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

The Developer previously reported that plans for Hospitality Drive were submitted to the City during the fall of 2009. As of February 22, 2012, the Developer reported that final comments for the Hospitality Drive plans have been received from the City. According to the Developer, the final plans are not expected to be submitted to the City until 2014. According to the Developer, construction of Hospitality Drive is expected to be commence in conjunction with the expansion of Fall Hill Avenue, a separate project expected to be completed by the City.

The Developer previously reported that construction of Phases I, IIA and IIB, of Carl D Silver Parkway is complete. As of June 21, 2013, the Developer reports that the construction of Phase III of Carl D Silver Parkway is on hold.

The Developer previously reported that sanitary sewer lines had been installed throughout the development. The Developer also reported that construction of the Phase I sewer pump station had been completed and ownership was turned over to the public authority. According to the Developer, the design of the Phase II sewer pump station had been completed and approved. As of June 21, 2013, the Developer reports that the installation of the Phase II sewer pump station remains on hold.

The Developer previously reported that construction of the storm water facilities and the main water detention pond is complete. The Developer also reported that landscaping is 100 percent complete. As of June 21, 2013, the Developer reports that stream restoration work in areas 1 and 2 is complete except for landscaping. According to the Developer, stream restoration work for area 3 has not yet begun.

As of September 30, 2013, the Developer reports that \$18,555,671 had been expended for construction of the public improvements, representing 99.8 percent of the total amount to be funded by the Series 2006 Bonds. Table III-2 on the following page shows the public improvements, the original budget, budget changes, the revised budget, the amount spent and percent complete as reported by the Developer as of September 30, 2014.

**Table III-2**  
**Public Improvement Budget**

<b>Public Improvement</b>	<b>Original Budget</b>	<b>Budget Change</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
<b>Soft Costs</b>					
Legal	\$75,000	(\$53,221)	\$21,780	\$21,780	100.0%
Design & engineering	\$700,000	\$183,155	\$883,155	\$882,505	99.9%
Construction stakeout	\$320,000	(\$165,605)	\$154,395	\$154,395	100.0%
Geotechnical	\$330,000	(\$205,289)	\$124,711	\$124,711	100.0%
Permits & bonds	\$190,000	(\$142,724)	\$47,276	\$47,276	100.0%
Environmental	\$95,000	(\$23,338)	\$71,662	\$71,662	100.0%
Historic properties	\$40,000	\$30,839	\$70,839	\$70,839	100.0%
Utility relocations	\$62,000	\$35,047	\$97,047	\$97,047	100.0%
<b>Hard Construction Cost</b>					
Hospitality Drive	\$850,000	(\$24,989)	\$825,011	\$825,011	100.0%
CDS Parkway – Phase IA	\$2,400,000	(\$124,513)	\$2,275,487	\$2,275,487	100.0%
CD Parkway – Phase IIA	\$1,000,000	(\$10,290)	\$989,710	\$989,710	100.0%
CDS Parkway - Phase IIB	\$3,900,000	\$1,128,444	\$5,028,444	\$5,028,444	100.0%
Sanitary sewer	\$1,900,000	(\$126,722)	\$1,773,278	\$1,773,278	100.0%
CDS Parkway – Phase III	\$1,000,000	(\$594,293)	\$405,707	\$405,707	100.0%
<b>Misc. Site Construction</b>					
Signage	\$300,000	(\$80,840)	\$219,161	\$219,161	100.0%
Landscaping/irrigation	\$850,000	(\$228,162)	\$621,838	\$621,838	100.0%
Stormwater/biofilters	\$850,000	\$2,221,852	\$3,071,852	\$3,036,703	98.9%
Sewer pump stations	\$1,300,000	(\$885,351)	\$414,649	\$414,649	100.0%
Electric service	\$700,000	(\$194,199)	\$505,801	\$505,801	100.0%
Street lights	\$400,000	(\$41,272)	\$358,728	\$358,728	100.0%
Contingency	\$1,726,200	(\$1,726,200)	\$0	\$0	0.0%
Management fee (3%)	\$569,646	(\$65,183)	\$504,463	\$504,463	100.0%
Other Costs	\$424,716	(\$298,240)	\$126,476	\$126,476	100.0%
<b>Total</b>	<b>\$19,982,562</b>	<b>(\$1,391,092)</b>	<b>\$18,591,470</b>	<b>\$18,555,671</b>	<b>99.8%</b>

#### **D. STATUS OF DEVELOPMENT**

According to the Limited Offering Memorandum, the district is expected to be developed as a mixed-use campus designed to provide entertainment, lodging, shopping, and dining venues for tourists visiting the Washington, D.C. metropolitan area and northern Virginia. At the time the Series 2006 Bonds were issued, several anchors had opened or were committed to open for business within or immediately adjacent to the development. The various aspects of development include the Fredericksburg Expo and Conference Center, entertainment district, hotel development, Celebrate Virginia Eco-Center, retail development, and residential development. In addition, the U.S. National Slavery Museum is being developed adjacent to the district.

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

##### *Fredericksburg Expo Center*

According to the Limited Offering Memorandum, the Fredericksburg Expo Center, which was opened in December 2005, is a 116,000 square foot state-of-the-art multipurpose facility capable of hosting trade shows, exhibits, receptions, banquets, meetings and conventions. The center consists of eleven meeting rooms with a combined space of 14,000 square feet. At the time the Series 2006 Bonds were issued, the Fredericksburg Expo Center had already held several trade shows, including a home and garden show, a gun show and a recreational vehicle show.



### *Hotel Development*

According to the Limited Offering Memorandum, Celebrate Virginia South-GI, LLC had completed construction of a Hilton Garden Inn on 3.04 acres in the southeastern corner of the development at the time the Series 2006 Bonds were issued. The Hilton Garden Inn is a 49-room, five-story hotel that opened in October 2005. The Hilton Garden Inn was sold to Apple Six Hospitality Ownership, Inc in December 2005. Celebrate Virginia-HS, LLC acquired a 3.41 acre parcel from the Landowner for the purpose of constructing a 124-room Homewood Suites Hotel. The Developer previously reported that construction of a 124-room Homewood Suites Hotel was completed in 2007. Celebrate Virginia-IS, LLC had planned to acquire an approximately three-acre parcel from the Landowner for the purpose of constructing a 122-room Hampton Inn at the time the Series 2006 Bonds were issued. The Developer also reports that construction of a 122-room Hampton Inn Hotel was completed in November 2007.

Table III-3 below provides a list of hotels within the development and the status of construction as reported by the Developer as of September 30, 2014.

**Table III-3**  
**Hotel Development**

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

### *Entertainment District*

According to the Limited Offering Memorandum, an approximately 16-acre pedestrian friendly entertainment district was proposed within the development. The entertainment district was expected to include a variety of live music entertainment venues, concert stages, themed restaurants, and retail stores in a unique outdoor setting. As a part of the entertainment district, the Landowner was expected to construct an aerial gondola cable system that was anticipated to transport visitors across Rappahannock River to historical attractions in Stafford County, Virginia. As of February 24, 2014, the Developer reports that construction of the gondola system is pending and will proceed when a viable tourism project is built.

### *Eco-Center*

According to the Limited Offering Memorandum, the Landowner was expected to construct an Eco-Center within a 129-acre conservation easement that lies within the development along the Rappahannock River. According to the Limited Offering Memorandum, allowed uses within the Eco-Center would include camping in year-round climate controlled tents, canoeing, hiking, biking, fishing, rock climbing, and nature watching. As of February 24, 2014, the Developer reported that there has been no development progress on this part of the development.

### *Retail & Commercial Development*

According to the Limited Offering Memorandum, 190.5 net acres of developable land were proposed to be developed as a mixture of retail establishments, restaurants and attractions (the "Retail Development") catering to tourists, business travelers, and regional shoppers. Planned attractions within the retail development included a Water Park Hotel and Worldstreet retail center. According to the Developer, the development of Worldstreet retail center has been discontinued due to difficulties with international shipping/receiving and logistics.

The Developer previously reported that construction of the Water Park Hotel and Resort had not commenced due to the financing problems. As of February 24, 2014, the Developer reported that the Water Park

Hotel and Resort Project is not expected to be developed in the district in the near term.

Table III-4 provides a summary of commercial and retail development as provided by the Developer as of September 30, 2014.

**Table III-4**  
**Commercial and Retail Development**

<b>Owner</b>	<b>Construction Started</b>	<b>Construction Complete</b>	<b>Date of Occupancy</b>
Ho, Jin & Claudette Kim	TBD	TBD	TBD
Suk, Kew & Hyun Kyung Kim	TBD	TBD	TBD
Buttram Portrait Studio (Willis Buttram, Jr.)	January 2004	June 2004	June 2004
Signature Investments (Friendly's Restaurant)	TBD	TBD	TBD
Fredericksburg Area Board of Realtors	September 2006	July 2007	August 2007
The Haven (Multi-family) Johnson Development Associates – Phase 1	August 2010	April 2011	March 2011
The Haven (Multi-family) Johnson Development Associates – Phase 2	April 2012	March 2013	March 2013
Navy Federal Credit Union	December 2012	October 2013	November 2013

#### *Residential Development*

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

According to the memorandum from the Developer to the bondholders, dated December 29, 2009, the Landowner had entered into an agreement to sell 13.4 acres of land to a well established Developer of apartment communities based in South Carolina on December 4, 2009. The Developer reports that in addition to a twelve-day inspection period, the sale requires approval of a special use permit from the City of Fredericksburg to allow construction of the apartment units. According to the Developer, the special use permit was granted on April 11, 2010.

As of September 30, 2014, the Developer reports that they are assessing the market demand for commercial and active adult residential units before proceeding with application for a conditional use permit.

#### **(i) Status of Sales of Undeveloped Property**

The Developer previously reported that the State of Virginia anticipated issuing a \$30,000,000 Recovery Zone Facility (RZF) Bond to finance the Water Park Hotel and Resort Project, which was expected to go to the market in the fall of 2010. The Developer previously reported that the \$30,000,000 Recovery Zone Facility (RZF) Bond was expected to be issued by the State of Virginia and was authorized but not issued due to the lack of construction financing for the Kalahari Resort Project. As a result, the bond allocation was returned to the state.

The Developer previously reported that a sales contract for a retail multi-use center for approximately five acres of land was put on hold due to current market conditions. The Developer reported in the quarterly continuing disclosure statement for the period ending September 30, 2011 that the contract for the retail multi-use center has expired.

As of September 30, 2014, the Developer reports that there is no anticipated construction on undeveloped property.

#### **(ii) Status of Leasing**

The Developer previously reported that ground leases have been signed for approximately 40.3 acres of land within the district. The Developer also reported that construction of PNC Bank, which occupies approximately one acre of land, is complete. The Developer reported that the PNC Bank parcel and the ground lease was sold to a third party in June 2009. The Developer reported that construction of the Wegman's grocery store on approximately nineteen acres of land is complete. According to the Developer, the Wegman's ground lease and land was sold to a third party in July 2009. According to the Developer, a lease has been signed with Fredericksburg Expo Conference Center for approximately nineteen acres of land and the conference center is currently open for business.

Table III-6 below provides the status of leasing, which includes the name of the tenant, acreage, proposed use and the occupancy status, as reported by the Developer, as of September 30, 2014.

**Table III-6**  
**Status of Leasing**

<b>Tenant</b>	<b>Acreage</b>	<b>Proposed Use</b>	<b>Occupancy Status</b>
PNC Bank	1.3	Bank	Open
Wegman's	18.5	Grocery Store	Open
Virginia Credit Union	2.0	Bank	Open
Fredericksburg Expo Conference Center	18.5	Conference center	Open
<b>Total</b>	<b>40.3</b>		

#### **E. STATUS OF FINANCING**

According to the Limited Offering Memorandum, approximately \$1,500,000 was needed to complete the infrastructure required by the development plan in addition to the Series 2006 Bond proceeds. The additional proceeds were required for the completion of the Carl D. Silver Parkway loop through the property owned by the National Slavery Museum. The cost of this connection was expected to be incurred by the National Slavery Museum. According to the Limited Offering Memorandum, if the museum fails to meet the obligation to construct the Carl D. Silver Parkway loop, the Developer was expected to complete the work at its own expense.

According to the Limited Offering Memorandum, Provident Bank provided a development loan to the Landowner for the construction of, among other things, the Project. The loan was secured by a first deed of trust on approximately 108 acres in the development. The maximum loan amount was \$17,444,474. In addition, the Developer previously reported that a \$2,500,000 line of credit was obtained from Provident Bank on December 31, 2007 for the purpose of grading and developing certain pad sites. The Developer also reported that a \$4,000,000 construction loan was obtained from Provident Bank on November 14, 2007, for the purpose of grading a 55-acre site.

The Developer previously reported that the Provident Bank development loan, the Provident Bank line of credit, and the Provident Bank construction loan were consolidated into a single loan with M&T Bank in the amount of \$4,400,000. As of February 24, 2014, the Developer reported that the outstanding balance on the M&T Bank loan was \$2,686,599.

#### ***IV. TRUSTEE ACCOUNTS***

The Trustee for the Series 2006 Bonds is U.S. Bank, National Association. The December 31, 2013 account balances, interest paid, additional proceeds, disbursements, and account balances for each fund as of December 31, 2014 are shown by the following table.

**Table IV-1**  
**Fund Balances**

	<b>Balance 12/31/13</b>	<b>Interest Paid</b>	<b>Additional Proceeds</b>	<b>Disburse- ments</b>	<b>Balance 12/31/14</b>
Reserve Fund	\$0	\$0	\$0	\$0	\$0
Supplemental Reserve Fund	\$757,169	\$32	\$0	\$482	\$756,719
Construction Account	\$58,741	\$2	\$250	\$0	\$58,993
Administrative Expense Fund	\$2,499	\$0	\$6,035	\$750	\$7,784
Bond Payment Account	\$591,569	\$37	\$278,298	\$0	\$869,903
Special Assessment Revenue Fund	\$206,987	\$23	\$345,947	\$20,786	\$532,171
Special Assessment Prepayment Account	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$1,616,965</b>	<b>\$94</b>	<b>\$630,529</b>	<b>\$22,018</b>	<b>\$2,225,570</b>

- Disbursements from the Supplemental Reserve Fund represent payment of administrative expenses, legal fees, Bond Counsel fees, and the Trustee's extraordinary expenses.
- Disbursements from the Special Assessment Revenue Fund were for the payment of the Trustee's extraordinary expenses.
- Additional proceeds to the Administrative Expense Fund were transfers from the Special Assessment Revenue Fund and Bond Payment account for the payment of administrative expenses.
- Additional proceeds to the Bond Payment Account were transfers from were transfers of annual assessment collections from the City of Fredericksburg.
- Additional proceeds to the Special Assessment Revenue Fund were transfers of annual assessment collections from the City of Fredericksburg.

The balances in the funds and accounts are invested in money market funds currently earning approximately 0.02 percent. Table IV-2 on the following page shows the approximate rate of return on the balances in the funds and accounts as of December 31, 2014.

Investment income on the Construction Account of the Improvement Fund will remain in the account and will be used for the purposes thereof until such time that an Administrator's Certificate is filed with the Trustee verifying that the public improvements are complete. Upon receipt of the Administrator's Certificate, the Trustee will transfer the remaining balance in the Construction Account to the Bond Payment Fund to pay semi-annual debt service or redeem principal on the Series 2006 Bonds if the amount to be transferred is equal to or more than \$100,000. Investment income on the Special Assessment Revenue Fund will remain in the fund and will be used for the purposes thereof. Investment income in the Supplemental Reserve Fund will be used to fund the deficiency in the Reserve Fund and the Bond Payment Account pursuant to the Agreement. Investment income in the Administrative Expense Fund will remain in the fund and will be used to pay administrative expenses.

**Table IV-2**  
**Rate of Return**

<b>Account</b>	<b>Rate of Return</b>
Supplemental Reserve Fund	0.02%
Construction Account	0.02%
Special Assessment Revenue Fund	0.02%
Administrative Expense Fund	0.02%

## ***V. DISTRICT OPERATIONS***

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The information provided in this section is taken from the annual special assessment report for the Celebrate Virginia South Community Development Authority dated March 11, 2014. The information herein reflects information available as of the same date and may not contain the most updated information regarding special assessment collections, delinquencies or other updates to the expected debt service on the Series 2006 Bonds as of the date of this annual continuing disclosure report.

### **A. SPECIAL ASSESSMENTS LEVIED AND COLLECTED**

Special assessments in the amount of \$1,951,836.14 are required to be collected from the taxable property in the CDA for the 2015 tax year. An explanation follows of the projected expenses of the CDA and the source of funds available to pay the expenses.

#### **Annual Revenue Requirement**

An Annual Installment is to be imposed each year within the Celebrate Virginia South Community Development Authority in an amount not to exceed the “Annual Revenue Requirement.” The annual revenue requirement, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) available investment income and capitalized interest.

Table V-1 below provides a summary of the Annual Revenue Requirement for the 2015 tax year.

**Table V-1**  
**Annual Revenue Requirement**  
**2015 Tax Year**

Debt service:	
Interest payment on March 1, 2015	\$719,250
Principal payment on March 1, 2015	\$474,000
Interest payment on September 1, 2015	\$704,438
Total debt service	\$1,897,688
CDA operations	\$34,048
Amount to offset future debt service	\$20,100
Sub-total expenses	\$1,951,836
Reserve Fund investment income	\$0
Supplemental Reserve Fund investment income	\$0
<b>Annual Revenue Requirement</b>	<b>\$1,951,836</b>

#### *Debt Service*

Debt service includes semi-annual interest payments on the bonds payable on March 1, 2015 and September 1, 2015. The March 1, 2015 interest payment is \$719,250.00 and is equal to an annual coupon rate of 6.25 percent on the outstanding bonds of \$23,016,000.00. There is a principal payment in the amount of \$474,000.00 due on March 1, 2015. The September 1, 2015 interest payment is \$7704,437.50 and is equal to an annual coupon rate of 6.25 percent on the outstanding bonds of \$22,542,000.00. As a result, aggregate debt service on the bonds is \$1,897,687.50 for the 2015 tax year.

#### *CDA Operations*

The estimated expenses for CDA operations for the 2015 tax year are shown in Table V-2. The amount of administrative expenses to be collected is limited each tax year to the amounts set forth in the RMA, included in the Declaration of Notice of Assessments dated as of June 1, 2006. Actual administrative expenses to be incurred are expected to be higher as a result of the nonpayment of assessments due in prior tax years.

**Table V-2**  
**Estimated Expenses of CDA Operations**  
**2015 Tax Year**

City collection fee	\$1,000
Meetings of the authority (two meetings)	\$3,000
CDA Counsel	\$4,053
Trustee (including Trustee Counsel expenses)	\$20,264
Administrator	\$5,732
<b>Total administrative expenses</b>	<b>\$34,048</b>

*Amount to offset Future Debt Service*

The Annual Installment of Assessments for the bond years 2013 through 2037 are anticipated to be collected in equal annual amounts of \$1,951,836.14 for the remaining life of the bonds, resulting in aggregate Special Assessments of \$59,422,302.85, which is equal to the aggregate Special Assessment approved by the CDA Board in the original Assessment Roll on September 12, 2005. The unutilized portion of the surplus to be collected in the 2015 tax year in the amount of \$20,100.40 will be carried forward to offset deficit collections in later years.

*Reserve Fund Investment Income*

As of January 31, 2014, the Reserve Fund balance was zero. The reserve requirement is equal to \$1,913,375.00. The balance in the Reserve Fund is zero due to unscheduled draws on the Reserve Fund for the payment of debt service in 2009, 2010 and 2011. As a result of the nonpayment of annual assessments and the requirements of the Agreement, investment income is not expected to be earned on any amounts to be transferred to the Reserve Fund in 2014 or 2015.

*Supplemental Reserve Fund*

A Supplemental Reserve Fund was created pursuant to a Supplemental Memorandum of Understanding (the "Agreement") made as of August 30, 2011, by and among the Trustee, the Celebrate Virginia South Community Development Authority (the "Authority"), Celebrate Virginia Development Company, Inc. (the "Developer"), and Celebrate Virginia South, LLC (the "Landowner"). A portion of the proceeds in the Construction Fund equal to \$1,517,887.17 was transferred to the Supplemental Reserve Fund to be used as an additional reserve fund to fund the deficiency in the Reserve Fund and the Bonds Payments Account to make the September 1, 2011 debt service payment as well as to be used on a going forward basis to pay debt service on the bonds to the extent insufficient funds are in the Reserve Fund and the Bond Payments Account. The funds in the Supplemental Reserve Fund may be used to pay the costs and expenses of the Authority, the Trustee or the Bondholders to pursue remedies for defaults under the Bond Documents as defined in the Trust Indenture.

As of January 31, 2014, the balance in the Supplemental Reserve Fund was \$757,169.47. The proceeds in the Supplemental Reserve Fund are invested in First American Treasury Obligation money market fund currently earning zero percent. As a result of the nonpayment of assessments due in the 2009, 2010, 2011, 2012, 2013 and 2014 tax years, any investment income earned on the Supplemental Reserve Fund through September 1, 2015 will be used to meet the semi-annual debt service payments due on March 1, 2014 and September 1, 2014, pay administrative expenses in 2014, or replenish the Reserve Fund up to the reserve requirement.

*Deficit from Prior Year*

The deficit from the prior year is shown in Table V-3. Semi-annual interest payments are due on the Series 2006 Bonds on March 1, 2014 and September 1, 2014. The March 1, 2014 interest payment is \$733,187.50 and is equal to an annual coupon rate of 6.25 percent on the outstanding bonds of \$23,462,000.00. There is a principal payment in the amount of \$446,000.00 due on March 1, 2014. The September 1, 2014 payment is \$719,250.00 and

is equal to an annual coupon rate of 6.25 percent on the outstanding bonds of \$23,016,000.00. Accordingly, aggregate debt service for the 2014 tax year is equal to \$1,898,437.50.

Annual assessments in the amount of \$2,927,756.25 were to be collected in the 2010-2011 tax year and were due in three equal installments of \$975,918.75 each on May 15, 2010, November 15, 2010 and May 15, 2011. As of February 19, 2014, the City of Fredericksburg Treasurer had reported collecting annual assessments, interest and penalties in the aggregate amount of \$749,400.22 for the 2010-2011 tax year, which includes 2010-2011 assessments of \$701,343.66 and interest and penalties of \$48,056.56. As of February 19, 2014, the City of Fredericksburg Treasurer had transferred 2010-2011 annual assessments and interest and penalties in the amount of \$747,400.22. The city retained a portion of the annual assessments in the amount of \$2,000.00 as reimbursement for billing and collection costs. The outstanding balance of 2010-2011 assessments is equal to \$2,226,412.59. For purposes of calculating the deficit from the prior year, the uncollected balance has been excluded.

Annual assessments in the amount of \$1,951,837.50 were to be collected in the 2012 tax year and were due in two equal installments of \$975,918.75 each on November 21, 2011 and May 15, 2012. As of February 19, 2014, the City of Fredericksburg Treasurer had reported collecting annual assessments, interest and penalties in the aggregate amount of \$442,767.18 for the 2012 tax year, which includes 2012 assessments of \$439,461.50 and interest and penalties in the amount of \$2,305.68. As of February 19, 2014, the City of Fredericksburg Treasurer had transferred 2012 annual assessments, interest and penalties in the amount of \$441,767.18 to the trustee. The city retained a portion of the annual assessments in the amount of \$1,000.00 as reimbursement for billing and collection costs. The outstanding balance of 2012 assessments is equal to \$1,512,376.00. For purposes of calculating the deficit from the prior year, the uncollected balance has been excluded.

Annual assessments in the amount of \$1,951,837.50 are to be collected in the 2013 tax year and were due in two equal installments of \$975,918.75 each on November 21, 2012 and May 15, 2013. As of February 19, 2014, the City of Fredericksburg Treasurer had reported collecting annual assessments, interest and penalties in the aggregate amount of \$512,299.50 for the 2013 tax year. According to the City of Fredericksburg Treasurer, these funds, less the City's billing and collection fee of \$1,000.00, have been transferred to the trustee. The outstanding balance of the 2013 assessments is equal to \$1,439,538.00. For purposes of calculating the deficit from the prior year, the uncollected balance has been excluded.

Annual assessments in the amount of \$1,951,837.50 are to be collected in the 2014 tax year and are due in two equal installments of \$975,918.75 each on November 21, 2013 and May 15, 2014. As of February 19, 2014, the City of Fredericksburg Treasurer had reported collecting first half annual assessments in the aggregate amount of \$279,297.89 for the 2014 tax year. According to the City of Fredericksburg Treasurer, these funds, less the City's billing and collection fee of \$1,000.00, were transferred to the trustee on February 14, 2014. These funds are to be used to pay a portion of the March 1, 2014 debt service payment. The outstanding balance of the first half 2014 assessments is equal to \$719,769.00. For purposes of calculating the deficit from the prior year, the uncollected balance has been excluded.

**Table V-3**  
**Deficit from Prior Year**

Debt Service:	
Interest payment, March 1, 2014	\$733,188
Principal payment, March 1, 2014	\$446,000
Interest payment, September 1, 2014	\$719,250
Total debt service	\$1,898,348
Outstanding administrative expenses as of January 31, 2013	\$47,727
Pro rata reimbursement to Landowners	\$44,394
Replenish Reserve Fund	\$1,913,375
<i>Subtotal expenses</i>	<i>\$3,903,933</i>
Available funds:	
Annual assessments to be remitted by February 15, 2014	(\$278,299)
Bond Payments Account at January 31, 2014	(\$591,569)
Special Assessment Revenue Fund at January 31, 2014	(\$206,987)
Supplemental Reserve Fund investment income through September 1, 2014	(\$0)
Available Administrative Expense Fund at January 31, 2014	(\$2,499)
<i>Subtotal available funds</i>	<i>(\$1,079,352)</i>
<b>Deficit from Prior Year</b>	<b>\$2,824,580</b>

Administrative expenses for the 2014 tax year were estimated to be \$34,048.24. As of January 31, 2014, administrative and legal expenses totaling \$5,746.67 had been paid by the trustee. According to the trustee, the outstanding administrative and legal invoices for the 2014 tax year that have not been paid are equal to \$47,726.68. As of January 31, 2014, the balance in the Administrative Expense Fund was \$2,498.65.

Pursuant to a Memorandum of Understanding, dated February 24, 2010, by and among the Trustee, the Authority, the Developer and Celebrate South, LLC (together with the Developer, the "Landowners"), the Landowners agreed to pay \$85,000.00 for the payment of extraordinary administrative expenses incurred due to the nonpayment of annual assessments in 2009 and 2010. The Landowners are to be repaid pro rata as the outstanding annual assessments are paid. In a Supplemental Memorandum of Understanding, made as of August 30, 2011, the Developer made an additional loan of \$102,857.00 to cover its estimated share of Administrative Expenses through June 30, 2012. To date, the pro rata reimbursement to the Landowners is \$44,393.60. As of the date of this report, this amount is expected to be repaid to the Landowners and is included in anticipated expenses for the purposes of calculating the deficit from the prior year.

As mentioned above, as of January 31, 2014, the Reserve Fund balance was zero. The reserve requirement is equal to \$1,913,375.00. As a result, an amount equal to \$1,913,375.00 will be required to replenish the Reserve Fund.

As of January 31, 2014, the balance in the Bond Fund was \$591,568.66. As of the same date, the balance in the Special Assessment Revenue Fund was \$206,687.29. These funds will be used to pay a portion of the March 1, 2014 debt service payment.

Summing the annual expenses and available funds results in a deficit from the prior year of \$2,824,580.29. The deficit from the prior year is provided for information purposes only and is not included in the calculation of the Annual Revenue Requirement.

## Summary

The expenses of the CDA for the 2015 tax year are equal to \$1,951,836.14. The available funds to pay the expenses are estimated to be zero. As a result, the annual revenue requirement for the 2015 tax year is \$1,951,836.14.



## **B. DELINQUENT SPECIAL ASSESSMENTS**

Annual assessments in the amount of \$1,943,869.00 were to be collected in the 2009 tax year in two installments of \$971,934.50 each and were due on September 1, 2009 and January 15, 2010. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2009 tax year in the amount of \$636,663.00 remain outstanding, representing 32.8 percent of the total annual assessments due for the 2009 tax year. The City also reports that interest and penalties totaling \$434,242.40 have been applied to the delinquent 2009 annual assessments through February 20, 2015. The City reports that annual assessments remain unpaid on two parcels owned by entities related to the Developer, representing 100.0 percent of the outstanding annual assessments for the 2009 tax year.

Annual assessments in the amount of \$2,927,756.25 were to be collected for the 2010-2011 tax year. The 2010-2011 tax year annual assessments were due in three equal installments of \$975,918.75 each on May 15, 2010, November 15, 2010 and May 15, 2011. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2010-2011 tax year in the amount of \$2,221,139.90 remain unpaid, representing 75.9 percent of the annual assessments due for the 2010-2011 tax year. The City also reports that interest and penalties totaling \$1,258,512.30 have been applied to the delinquent 2010-2011 annual assessments through February 20, 2015. According to the City, 2010-2011 annual assessments remain unpaid on fourteen parcels. The City reports that the thirteen parcels with outstanding annual assessments are owned by entities related to the Developer, representing 100 percent of the outstanding annual assessments for the 2010-2011 tax year.

Annual assessments in the amount of \$1,951,837.50 were to be collected for the 2012 tax year. The 2012 tax year annual assessments were due in two equal installments of \$975,918.75 each on November 21, 2011 and May 15, 2012. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2011-2012 tax year in the amount of \$1,501,836.00 remain unpaid, representing 76.9 percent of the annual assessments due for the 2011-2012 tax year. The City also reports that interest and penalties totaling \$645,769.65 have been applied to the delinquent 2012 annual assessments through February 20, 2015. The City reports that the thirteen parcels with outstanding annual assessments are owned by entities related to the Developer, representing 100 percent of the outstanding annual assessments for the 2012 tax year.

Annual assessments in the amount of \$1,951,837.50 were to be collected for the 2013 tax year. The 2013 tax year annual assessments were due in two equal installments of \$975,918.75 each on November 21, 2012 and May 15, 2013. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2013 tax year in the amount of \$1,372,089.98 remain unpaid, representing 70.3 percent of the annual assessments due for the 2013 tax year. The City also reports that interest and penalties totaling \$439,056.46 have been applied to the delinquent 2013 annual assessments through February 20, 2015. The City reports that assessments remain unpaid on seventeen parcels that are owned by entities related to the Developer, represented 100 percent of the outstanding annual installments for the 2013 tax year.

Annual assessments in the amount of \$1,951,836.14 are to be collected for the 2014 tax year. The 2014 tax year annual assessments are due in two equal installments of \$975,918.07 each on November 15, 2013 and May 15, 2014. As of February 20, 2015, the City of Fredericksburg reports that annual assessments for the 2014 tax year in the amount of \$1,391,428.00 remain unpaid, representing 71.3 percent of the annual assessments due for the 2014 tax year. The City also reports that interest and penalties totaling \$291,662.26 have been applied to the delinquent 2014 annual assessments through February 20, 2015. The City reports that assessments remain unpaid on eighteen parcels that are owned by entities related to the Developer, represented 100 percent of the outstanding annual installments for the 2014 tax year.

Annual assessments in the amount of \$1,951,836.14 are to be collected for the 2015 tax year. The 2015 tax year annual assessments are due in two equal installments of \$975,918.07 each on November 15, 2014 and May 15, 2015. As of February 20, 2015, the City of Fredericksburg Treasurer reports that first half annual assessments in the amount of \$705,378.00 remain unpaid, representing 72.3 percent the first half annual assessments due for the 2015 tax year. There are no delinquent second half annual assessments outstanding for the 2015 tax year at this time.

## C. COLLECTION EFFORTS

According to the City of Fredericksburg and pursuant to Sections 58.1-3965 and 58.1-3010 of the Virginia Tax Code, the property becomes eligible for tax sale after the second anniversary of the City's fiscal year (June 30<sup>th</sup>) of the oldest tax due date. Accordingly, the delinquent first half assessments for the 2009 tax year, which were due on September 1, 2009, met the second anniversary of delinquency requirement on September 1, 2011.

According to the City of Fredericksburg, as of December 21, 2012 a Notice of Delinquent Taxes and Judicial Sale of Real Property was published in a daily newspaper for seven parcels owned by Celebrate Virginia South, LLC (Parcels 312-A-P6, 312-A-P6B, 312-A-P7, 312-2-P1F, 312-2-P5C, 312-A-5030, and 312-A-2C), one parcel owned by CVAS 2, LLC (Parcel 312-A-P8), and five parcels owned by CVAS Parkway, LLC (Parcels 312-A-P10, 312-A-P4A, 312-A-P11, 312-A-6001, and 312-A-P12). The delinquent annual assessments and related interest and penalties by tax year and parcel are shown as Appendix 1 to this report. According to the City, the tax sale process takes approximately one year. As a result, any delinquent annual assessments collected through the tax sale may not be available to the CDA until mid-2014.

As of December 17, 2013, Taxing Authority Consulting Services indicated that the Court had granted a Decree of Sale for tax map parcel 312-A-P8, which is the largest parcel in the CDA upon which the greatest annual assessments have been levied. Inquiries have been made with Taxing Authority Consulting Services and the City Treasurer as to when they anticipate the tax sale will take place, but as the date of this report, no date has been set.

As more fully described in the listed event notice dated as of January 13, 2015, The Supreme Court of the Commonwealth of Virginia has reversed a decision rendered by the Circuit Court of the City of Fredericksburg concluding that the City had not demonstrated that it has strictly complied with Code Sections 15.2-5158 (A)(5) or 58.1-3965.2 allowing the City to bring suit to collect delinquent special assessments through a tax foreclosure proceeding. The Court ruled that Code Section 15.2-5158(A)(5) providing for a levy of special assessments does not, in and of itself, provide for a tax foreclosure proceeding to collect delinquent special assessments even though the special assessment constitutes a lien on the property. As of January 9, 2015, Taxing Authority Consulting Services reported that they would analyze the opinion and assess the options available to the City.

## ***VI. DISTRICT FINANCIAL INFORMATION***

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The information provided in this section is intended to meet the requirements for the annual report as provided for in Section 2(a) of the Continuing Disclosure Agreement. The items listed below are in the same order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

All information in this section is provided as of December 31, 2014, unless otherwise stated.

### **A. AUTHORITY FINANCIAL STATEMENTS**

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

### **B. SPECIAL ASSESSMENT LIENS ON ALL PROPERTY AND PREPAYMENTS**

The total principal portion of the special assessment liens on all property as of the first and last day of the 2012 tax year (July 1, 2011 – June 30, 2012) and principal portion of the assessment liens prepaid during the tax year are shown by the following table:

**Table VI-1**  
**Total Assessment Liens**

	<b>Amount</b>
Principal portion of the special assessment liens as of July 1, 2011	\$24,278,000
Special assessments prepaid during tax year	\$0
<i>Sub-total principal portion of the special assessment liens</i>	<i>\$24,278,000</i>
Regular principal payment on March 1, 2012	\$396,000
<b>Total principal portion of the special assessment liens through June 30, 2012</b>	<b>\$23,882,000</b>

The total principal portion of the special assessment liens on all property as of the first and last day of the 2013 tax year (July 1, 2012 - June 30, 2013) and the principal portion of the assessment liens prepaid as of the date of this report are shown in Table VI-2 below.

**Table VI-2**  
**Total Assessment Liens**

	<b>Amount</b>
Principal portion of the special assessment liens as of July 1, 2012	\$23,882,000
Special assessments prepaid during tax year	\$0
<i>Sub-total principal portion of the special assessment liens</i>	<i>\$23,882,000</i>
Regular principal payment on March 1, 2013	\$0
<b>Total principal portion of the special assessment liens through June 30, 2013</b>	<b>\$23,882,000</b>

The total principal portion of the special assessment liens on all property as of the first and last day of the 2014 tax year (July 1, 2013 - June 30, 2014) and the principal portion of the assessment liens prepaid as of the date of this report are shown in Table VI-3 on the following page.

**Table VI-3**  
**Total Assessment Liens**

	Amount
Principal portion of the special assessment liens as of July 1, 2013	\$23,882,000
Special assessments prepaid during tax year	\$0
<i>Sub-total principal portion of the special assessment liens</i>	<i>\$23,882,000</i>
Regular principal payment on March 1, 2014	\$0
<b>Total principal portion of the special assessment liens through June 30, 2014</b>	<b>\$23,882,000</b>

#### **C. SPECIAL ASSESSMENTS LEVIED**

Please refer to Section V(A), "District Operations - Special Assessments Levied and Collected," Section V(B), "District Operations - Delinquent Special Assessments," and Section V(C), "District Operations - Collection Efforts," of this report.

#### **D. SPECIAL ASSESSMENTS COLLECTED AND TRANSFERRED TO THE TRUSTEE**

Please refer to Section V(A), "District Operations - Special Assessments Levied and Collected," Section V(B), "District Operations - Delinquent Special Assessments," and Section V(C), "District Operations - Collection Efforts," of this report.

#### **E. SPECIAL ASSESSMENT DELINQUENCIES**

There are no delinquent special assessments for tax years 2006 through 2008. The delinquent annual assessments for the 2009, 2010, 2011, 2012, 2013, 2014, and 2015 tax years are shown by Table VI-4 below.

**Table VI-4**  
**Delinquent Annual Assessments**

	Amount Delinquent	Interest and Penalties	Total
Up to six months outstanding	\$705,378	\$89,935	\$795,313
Six months to one year outstanding	\$696,792	\$127,162	\$823,954
One year to two years outstanding	\$1,372,100	\$363,597	\$1,735,697
Outstanding more than two years	\$5,054,265	\$2,578,483	\$7,632,749
<b>Total</b>	<b>\$7,828,535</b>	<b>\$3,159,178</b>	<b>\$10,987,713</b>

#### **F. FORECLOSURE PROCEEDINGS**

There have been no foreclosure proceedings for the 2009 tax year. According to the Treasurer's Office for the City of Fredericksburg, the total amount of unpaid assessments on parcels with outstanding assessments greater than two years will be eligible for tax sale proceedings in July 2012. As of May 14, 2013, the Treasurer's Office also reports that there are thirteen parcels currently in the process of tax sale. The special assessments subject to foreclosure proceedings are shown by Table VI-5 on the following page.

As of December 17, 2013, Taxing Authority Consulting Services indicated that the Court had granted a Decree of Sale for tax map parcel 312-A-P8, which is the largest parcel in the CDA upon which the greatest annual assessments have been levied. Inquiries have been made with Taxing Authority Consulting Services and the City Treasurer as to when they anticipate the tax sale will take place, but as the date of this report, no date has been set.

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

	Amount
Subject to foreclosure but not yet instituted:	
Parcel 312-A-P6	\$592,286
Parcel 312-A-P6B	\$22,620
Parcel 312-A-P7	\$22,377
Parcel 312-2-P1F	\$6,078
Parcel 312-2-P5C	\$123,224
Parcel 312-A-5030	\$837,455
Parcel 312-A-2C	\$27,484
Parcel 312-A-6001	\$444,044
Parcel 312-A-P10	\$18,242
Parcel 312-A-P11	\$617,058
Parcel 312-A-P12	\$502,478
Parcel 312-A-P4A	\$99,438
Parcel 312-A-P8	\$1,687,146
Foreclosure instituted but not concluded	\$0
Judgment obtained but not yet collected	\$0
Reduced to Judgment and collected	\$0
<b>Total</b>	<b>\$2,144,902</b>

Please note that the special assessments subject to foreclosure outlined above include the aggregate amount of delinquent annual assessments for the 2009 through 2013 tax years outstanding as of May 14, 2013 excluding the interest and penalties accrued as of the same date. See Appendix 1 for details of the delinquent annual assessments by tax year and the corresponding interest and penalties including the 2014 and first half 2015 tax year delinquent amounts.

As more fully described in the listed event notice dated as of January 13, 2015, The Supreme Court of the Commonwealth of Virginia has reversed a decision rendered by the Circuit Court of the City of Fredericksburg concluding that the City had not demonstrated that it has strictly complied with Code Sections 15.2-5158 (A)(5) or 58.1-3965.2 allowing the City to bring suit to collect delinquent special assessments through a tax foreclosure proceeding. The Court ruled that Code Section 15.2-5158(A)(5) providing for a levy of special assessments does not, in and of itself, provide for a tax foreclosure proceeding to collect delinquent special assessments even though the special assessment constitutes a lien on the property. As of January 9, 2015, Taxing Authority Consulting Services reported that they would analyze the opinion and assess the options available to the City.

#### **G. SPECIAL ASSESSMENT PREPAYMENTS**

As of the date of this report, there have been no special assessment prepayments. The amount of special assessment prepayments received and the amount of Series 2006 Bonds redeemed or called for redemption as a result of such prepayments is shown in table VI-6 below.

**Table VI-6**  
**Special Assessment Prepayments**

	Amount
Special assessment prepayments	\$0
Bonds redeemed	\$0
Bonds called for redemption	\$0
<b>Total</b>	<b>\$0</b>

## H. FUND BALANCES

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

## I. BONDS OUTSTANDING

As of December 31, 2014, the total amount of Series 2006 Bonds outstanding was \$23,882,000.00.

## J. PRINCIPAL AND INTEREST PAID AND DUE ON THE BONDS

The principal and interest paid on the Series 2006 Bonds in the bond year ending March 1, 2014 is shown by Table VI-7 below. According to the trustee, the bondholders agreed to defer the semi-annual debt service payments due on September 1, 2013 and March 1, 2014.

**Table VI-8**  
**Principal and Interest Due and Paid on the Bonds**  
**Bond Year Ending March 1, 2014**

Date	Principal Due	Interest Due	Total Debt Service	Total Amount Paid
September 1, 2013	\$0	\$733,188	\$733,188	\$0
March 1, 2014	\$446,000	\$733,188	\$1,179,188	N/A
<b>Total</b>	<b>\$446,000</b>	<b>\$1,466,376</b>	<b>\$1,912,376</b>	<b>\$0</b>

The principal and interest paid on the Series 2006 Bonds in the bond year ending March 1, 2015 is shown by Table VI-9 below.

**Principal and Interest Due and Paid on the Bonds**  
**Bond Year Ending March 1, 2015**

Date	Principal Due	Interest Due	Total Debt Service	Total Amount Paid
September 1, 2014	\$0	\$719,250	\$719,250	\$0
March 1, 2015	\$474,000	\$719,250	\$1,193,250	N/A
<b>Total</b>	<b>\$474,000</b>	<b>\$1,438,500</b>	<b>\$1,912,500</b>	<b>\$0</b>

## K. AMENDMENT TO THE CONTINUING DISCLOSURE AGREEMENT AND CHANGES TO THE FINANCIAL STATEMENTS OF THE AUTHORITY

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

## ***VII. LISTED EVENTS***

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

Listed events include the following:

- (i) Delinquency in payment when due of principal of or interest on the Bonds;
- (ii) Occurrence of any event of default under the Indenture (other than as described in clause (i) above);
- (iii) Amendment to the Indenture or this disclosure agreement or other modifications to the rights of the beneficial owners;
- (iv) Optional, mandatory or other redemption of any Bonds;
- (v) Defeasance of the Bonds or any portion thereof;
- (vi) Any change in any rating of the Bonds (it being understood that the Bonds are not rated as of their date of issue);
- (vii) (A) Receipt of any adverse opinion with respect to the tax exempt status of the Bonds; or  
(B) Any event affecting the tax-exempt status of the Bonds, including, but not limited to:
  - (1) Any challenge to the tax-exempt status of the Bonds by the Internal Revenue Service or in any administrative or judicial proceedings; or
  - (2) The issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official authority or by any court adversely affecting the tax exempt status of the Bonds or, when and if known to the Authority, bonds of the same type as the Bonds or financing structures of the same type as financed by the Bonds.
- (viii) Any unscheduled draw on the Debt Service Reserve Fund reflecting financial difficulties;
- (ix) Any unscheduled draw on any credit enhancement of the Bonds reflecting financial difficulties;
- (x) The substitution of credit or liquidity providers, or their failure to perform;
- (xi) The failure of the Authority to timely file to the annual report as required under Sections 2 and 3;
- (xii) Any change in the Authority Tax Year; and
- (xiii) The institution or conclusion of any proceeding, appeal or litigation contesting the assessment, levy or collection of special assessments or the methodology of determining special assessments.

The administrator filed a supplemental disclosure with MSRB- EMMA on May 25, 2012 regarding the status of collection and delinquent annual assessments. The administrator also filed supplemental disclosures with MSRB- EMMA on June 28, 2012, August 9, 2012 and October 26, 2012 regarding the regarding impending tax sales by the City of Fredericksburg as a result of delinquent real estate taxes and special assessments. The administrator also filed a Listed Event Notice with MSRB- EMMA on August 9, 2012 regarding an unscheduled draw from the Supplemental Reserve Fund. Details of these filings are available on the MSRB-EMMA website.

The Administrator filed a listed event notice with MSRB-EMMA on September 5, 2012 regarding the

deferment of a semi-annual debt service payment. The debt service payment due on September 1, 2012 was equal to \$746,312.50, which is equal to six months of interest at a rate of 6.25 percent on the outstanding Series 2006 Bonds of \$23,882,000.00. According to the Trustee, due to the litigation filed (and the anticipated costs thereof) at the time debt service was due, the bondholders agreed to defer the payment of debt service on September 1, 2012 from the supplemental reserve fund. Details of this filing are available on the MSRB-EMMA website.

The Trustee, U.S. Bank National Association, filed a listed event notice with MSRB-EMMA on March 5, 2013 regarding the deferment of a semi-annual debt service payment. The debt service payment due on March 1, 2013 was equal to \$746,312.50, which is equal to six months of interest at a rate of 6.25 percent on the outstanding Series 2006 Bonds of \$23,882,000.00 and a principal payment in the amount of \$396,000.00. According to the Trustee, as a result of delinquent annual assessments there were insufficient funds available to pay debt service due on March 1, 2013. Details of this filing are available on the MSRB-EMMA website.

The Administrator filed a listed event notice with MSRB-EMMA on September 9, 2013 regarding the deferment of a semi-annual debt service payment. The debt service payment due on September 1, 2013 was equal to interest payable in the amount of \$733,187.50. According to the Trustee, the bondholders agreed to defer the debt service payment due on September 1, 2013. Details of this filing are available on the MSRB-EMMA website.

The Administrator filed a listed event notice with MSRB-EMMA on July 16, 2014 regarding the deferment of a semi-annual debt service payment. The debt service payment due on March 1, 2014 was equal to interest and principal payable in the aggregate amount of \$1,179,187.50. According to the Trustee, the bondholders agreed to defer the debt service payment due on March 1, 2014. Details of this filing are available on the MSRB-EMMA website.

The Administrator filed a listed event notice with MSRB-EMMA on January 13, 2015 regarding the reversal of the decision rendered by the Circuit Court of the City of Fredericksburg. As more fully described in the notice, The Supreme Court of the Commonwealth of Virginia has reversed a decision rendered by the Circuit Court of the City of Fredericksburg concluding that the City had not demonstrated that it has strictly complied with Code Sections 15.2-5158 (A)(5) or 58.1-3965.2 allowing the City to bring suit to collect delinquent special assessments through a tax foreclosure proceeding. The Court ruled that Code Section 15.2-5158(A)(5) providing for a levy of special assessments does not, in and of itself, provide for a tax foreclosure proceeding to collect delinquent special assessments even though the special assessment constitutes a lien on the property. Details of this filing are available on the MSRB-EMMA website. As of January 9, 2015, Taxing Authority Consulting Services reported that they would analyze the opinion and assess the options available to the City.



**Appendix 1**  
**Summary of Delinquent Special Assessments by Parcel**

Parcel	GPIN	Year	Annual Assessment	Interest and Penalty	Total
312-A-P6	7769-49-5130	2010	\$81,274.36	\$50,591.60	\$131,865.96
		2011	\$233,210.08	\$125,929.32	\$359,139.40
		2012	\$233,211.00	\$100,277.65	\$333,488.65
		2013	\$89,182.00	\$28,537.45	\$117,719.45
		2014	\$89,182.00	\$18,727.83	\$107,909.83
		2015	\$44,591.00	\$5,685.30	\$50,276.30
Subtotal			\$770,650.44	\$329,749.15	\$1,100,399.59
312-A-P6B	7769-58-7781	2010	\$3,769.96	\$2,346.73	\$6,116.69
		2011	\$7,539.92	\$4,071.44	\$11,611.36
		2012	\$7,540.00	\$3,242.10	\$10,782.10
		2013	\$7,540.00	\$2,412.74	\$9,952.74
		2014	\$7,540.00	\$1,583.36	\$9,123.36
		2015	\$3,770.00	\$480.67	\$4,250.67
Subtotal			\$37,699.88	\$14,137.04	\$51,836.92
312-A-P7	7769-68-0346	2010	\$3,729.43	\$2,321.49	\$6,050.92
		2011	\$7,458.86	\$4,027.65	\$11,486.51
		2012	\$7,459.00	\$3,207.27	\$10,666.27
		2013	\$7,459.00	\$2,386.81	\$9,845.81
		2014	\$7,459.00	\$1,566.36	\$9,025.36
		2015	\$3,729.50	\$475.51	\$4,205.01
Subtotal			\$37,294.79	\$13,985.09	\$51,279.88
312-2-P1F	7769-68-4260	2010	\$1,004.51	\$625.29	\$1,629.80
		2011	\$2,009.02	\$1,084.83	\$3,093.85
		2012	\$2,043.00	\$878.46	\$2,921.46
		2013	\$2,043.00	\$653.74	\$2,696.74
		2014	\$2,043.00	\$429.02	\$2,472.02
		2015	\$1,021.50	\$130.24	\$1,151.74
Subtotal			\$10,164.03	\$3,801.58	\$13,965.61
312-2-P5C	7769-78-7674	2010	\$21,992.59	\$13,689.93	\$35,682.52
		2011	\$43,985.18	\$23,751.22	\$67,736.40
		2012	\$43,985.00	\$18,912.97	\$62,897.97
		2013	\$26,523.00	\$8,487.13	\$35,010.13
		2014	\$26,523.00	\$5,569.71	\$32,092.71
		2015	\$13,261.50	\$1,690.83	\$14,952.33
Subtotal			\$176,270.27	\$72,101.79	\$248,372.06

**Appendix 1**  
**Summary of Delinquent Special Assessments by Parcel**

Parcel	GPIN	Year	Annual Assessment	Interest and Penalty	Total
312-A-P5D	7769-88-0831	2013	\$17,173.00	\$5,495.21	\$22,668.21
		2014	\$17,173.00	\$3,606.26	\$20,779.26
		2015	\$8,586.50	\$1,094.77	\$9,681.27
Subtotal			\$42,932.50	\$10,196.24	\$53,128.74
312-A-P5E	7769-89-0275	2013	\$289.00	\$92.48	\$381.48
		2014	\$289.00	\$60.69	\$349.69
		2015	\$144.50	\$18.42	\$162.92
Subtotal			\$722.50	\$171.59	\$894.09
312-A-5030	7860-62-2096	2009	\$208,722.00	\$142,360.94	\$351,082.94
		2010	\$104,788.79	\$65,228.83	\$170,017.62
		2011	\$209,577.58	\$113,168.21	\$322,745.79
		2012	\$209,578.00	\$90,115.77	\$299,693.77
		2013	\$209,578.00	\$67,063.12	\$276,641.12
		2014	\$209,578.00	\$44,010.46	\$253,588.46
		2015	\$104,789.00	\$13,360.48	\$118,149.48
Subtotal			\$1,256,611.37	\$535,307.81	\$1,791,919.18
312-A-2C	7860-70-2035	2010	\$4,580.71	\$2,851.39	\$7,432.10
		2011	\$9,161.42	\$4,947.01	\$14,108.43
		2012	\$9,161.00	\$3,939.11	\$13,100.11
		2013	\$9,161.00	\$2,931.44	\$12,092.44
		2014	\$9,161.00	\$1,923.77	\$11,084.77
		2015	\$4,580.50	\$584.01	\$5,164.51
Subtotal			\$45,805.63	\$17,176.73	\$62,982.36
312-A-2371	7769-79-5783	2014	\$19,328.00	\$3,527.30	\$22,855.30
		2015	\$19,328.00	\$2,464.30	\$21,792.30
Subtotal			\$38,656.00	\$5,991.60	\$44,647.60
312-A-P6F	7769-59-5101	2013	\$15,169.00	\$4,853.95	\$20,022.95
		2014	\$15,169.00	\$3,185.43	\$18,354.43
		2015	\$7,584.50	\$967.02	\$8,551.52
Subtotal			\$37,922.50	\$9,006.40	\$46,928.90
312-A-P8A	7860-50-3126	2013	\$58,873.98	\$18,838.88	\$77,712.86
		2014	\$58,884.00	\$12,365.38	\$71,249.38
		2015	\$29,442.00	\$3,753.82	\$33,195.82
Subtotal			\$147,199.98	\$34,958.08	\$182,158.06

**Appendix 1**  
**Summary of Delinquent Special Assessments by Parcel**

Parcel	GPIN	Year	Annual Assessment	Interest and Penalty	Total
312-A-P10	7769-68-4772	2010	\$3,040.29	\$1,892.52	\$4,932.81
		2011	\$6,080.58	\$3,283.41	\$9,363.99
		2012	\$6,081.00	\$2,614.75	\$8,695.75
		2013	\$6,081.00	\$1,945.86	\$8,026.86
		2014	\$6,081.00	\$1,276.98	\$7,357.98
		2015	\$3,040.50	\$387.66	\$3,428.16
Subtotal			\$30,404.37	\$11,401.18	\$41,805.55
312-A-P4A	7769-69-0025	2010	\$16,688.05	\$10,387.97	\$27,076.02
		2011	\$33,376.10	\$18,022.52	\$51,398.62
		2012	\$32,916.00	\$14,153.45	\$47,069.45
		2013	\$32,916.00	\$10,532.83	\$43,448.83
		2014	\$32,916.00	\$6,912.21	\$39,828.21
		2015	\$16,458.00	\$2,098.38	\$18,556.38
Subtotal			\$165,270.15	\$62,107.36	\$227,377.51
312-A-P11	7769-69-7425	2010	\$102,843.00	\$64,017.62	\$166,860.62
		2011	\$205,686.00	\$111,066.82	\$316,752.82
		2012	\$205,686.00	\$88,442.26	\$294,128.26
		2013	\$205,686.00	\$65,817.71	\$271,503.71
		2014	\$205,686.00	\$43,193.16	\$248,879.16
		2015	\$102,843.00	\$13,112.37	\$115,955.37
Subtotal			\$1,028,430.00	\$385,649.94	\$1,414,079.94
312-A-6001	7860-50-7578	2010	\$74,520.76	\$46,387.62	\$120,908.38
		2011	\$149,041.52	\$80,479.81	\$229,521.33
		2012	\$146,988.00	\$63,202.90	\$210,190.90
		2013	\$146,988.00	\$47,034.87	\$194,022.87
		2014	\$146,988.00	\$30,866.83	\$177,854.83
		2015	\$73,494.00	\$9,370.40	\$82,864.40
Subtotal			\$738,020.28	\$277,342.43	\$1,015,362.71
312-A-P12	7860-60-7626	2010	\$83,746.31	\$52,130.33	\$135,876.64
		2011	\$167,492.62	\$90,443.06	\$257,935.68
		2012	\$167,493.00	\$72,019.78	\$239,512.78
		2013	\$167,493.00	\$53,596.29	\$221,089.29
		2014	\$167,493.00	\$35,172.79	\$202,665.79
		2015	\$83,746.50	\$10,677.59	\$94,424.09
Subtotal			\$837,464.43	\$314,039.84	\$1,151,504.27

**Appendix 1**  
**Summary of Delinquent Special Assessments by Parcel**

Parcel	GPIN	Year	Annual Assessment	Interest and Penalty	Total
312-A-P8	7860-40-5307	2009	\$427,941.00	\$291,881.46	\$719,822.46
		2010	\$214,847.42	\$133,738.03	\$348,585.45
		2011	\$429,694.84	\$232,027.65	\$661,722.49
		2012	\$429,695.00	\$184,763.18	\$614,458.18
		2013	\$369,935.00	\$118,375.95	\$488,310.95
		2014	\$369,935.00	\$77,684.72	\$447,619.72
		2015	\$184,967.50	\$23,583.15	\$208,550.65
Subtotal			\$2,427,015.76	\$1,062,054.14	\$3,489,069.90
Grand Total			\$7,828,534.88	\$3,159,177.99	\$10,987,712.87