DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Quarter Ending September 30, 2008

$36,560,000 Dulles Town Center
Community Development Authority
Special Assessment Bonds Series 1998

Prepared by:

MUNICAP, INC.

December 4, 2008

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I. UPDATED INFORMATION

Information updated for the Development Activity and Disclosure Report for the quarter ended September 30, 2008 is as follows:

- As of September 30, 2008, the developer reports 129 fully executed leases for 307,446 square feet, which, excluding the five anchor department stores, eleven kiosks and eight large retail stores, represents 87 percent of the total small shop leaseable space.

- As of September 30, 2008, the developer reports leases or operating agreements totaling 1,255,045 square feet of the retail space within the mall have been signed with tenants, which represents 96.5 percent of the total retail space within and immediately adjacent to the mall.

- Lerner reports that a lease has been signed with Harris Corporation for 50,047 square feet of the 202,110 square foot spec office building. According to the developer, the lease with Harris Corporation is expected to expire on September 30, 2019.

- The developer reports that two leases were executed with Innova Health Care for the 94,716 square foot flex office building. According to the developer, the first lease for 23,871 square feet is expected to expire on August 31, 2014 and the second lease for 30,220 square feet is expected to expire on April 30, 2016.

II. INTRODUCTION

The Dulles Town Center Community Development Authority issued the $36,560,000 Series 1998 Special Assessment Bonds pursuant to and in accordance with (i) the Virginia Water and Sewer Authorities Act, Chapter 28, Sections 15.1-1241B *et seq*., recodified at Chapter 51, Section 15.2-5152 *et seq*. of the Code of Virginia, 1950, as amended, and (ii) an indenture of trust by and between the Dulles Town Center Community Development Authority and Sun Trust (formerly Crestar Bank), as trustee, dated as of May 1, 1998.

The bonds are secured by the proceeds of special assessments to be levied on the taxable parcels within the Dulles Town Center Community Development Authority. The authority was created and the special assessments levied pursuant to ordinances adopted by the Loudoun County board of supervisors.

The property in the community development authority is located in Loudoun County, Virginia, and consists of 409 acres of land located southeast of the intersection of Route 28 (Sully Road) and Route 7 (Leesburg Pike) about twenty-five miles west of Washington, D.C. and five miles north of Dulles International Airport.

The property in the authority is currently being developed by partnerships managed by Lerner Enterprises. The development will include a super-regional mall and mixed-use development that includes retail, office, and light industrial.

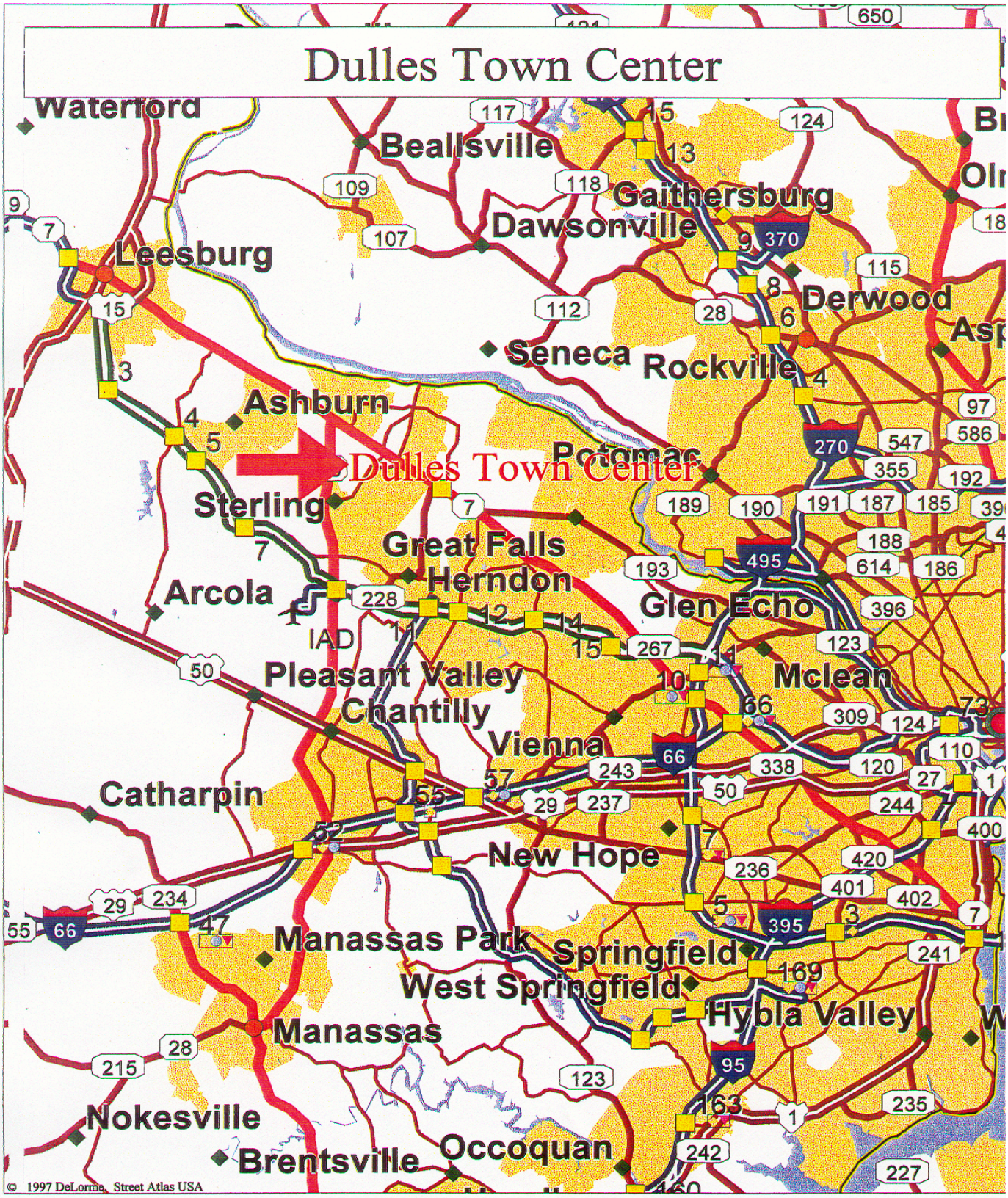
Pursuant to the limited offering memorandum, $36,560,000 in special assessment bonds (Series 1998) were sold to finance public improvements to serve the property located within the community development authority. Additional bonds in the amount of $13,949,701 may be issued by the authority, subject to certain additional bonds tests.

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 (Loudoun Roads, L.L.C.) 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 September 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.


Dulles Town Center
Waterford
Beallsville
Gaithersburg
Dawsonville
Leesburg
Derwood
Seneca
Rockville
Ashburn
Dulles Town Center
Potomac
Sterling
Great Falls
Herndon
Arcola
Glen Echo
IAD
Pleasant Valley
Chantilly
Mclean
Vienna
Catharpin
New Hope
Manassas Park
Springfield
West Springfield
Hybla Valley
Manassas
Nokesville
Brentsville
Occoquan
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III. DEVELOPMENT ACTIVITY

A. PROPOSED DEVELOPMENT

(i.) Overview

Dulles Town Center includes approximately 409 acres located southeast of the intersection of Route 28 (Sully Road) and Route 7 (Leesburg Pike) twenty-five miles west of Washington, D.C. and five miles north of Washington Dulles International Airport. The location of Dulles Town Center is shown on the map on page 4. The project is planned to be developed with a super-regional mall and a mix of retail, office and light industrial.

The super-regional mall was developed in two phases. The first phase consists of about 1,100,000 square feet of gross floor area and four anchor department stores. The anchor department stores are Hecht's (180,000 square feet), Sears (146,825 square feet), J.C. Penney (124,656 square feet), and Lord & Taylor (120,000 square feet). (These four anchor department stores are not included in the community development authority.) The first phase of the mall was completed in the spring of 1999. The total leasable area exclusive of the anchor stores is currently 553,687 square feet, which includes the additional large tenants and 60,000 square feet of additional space that extends from the pre-existing mall to Nordstrom. Lerner has executed a contract with Nordstrom (144,000 square feet), which opened a fifth anchor department store in September 2002.

In addition to the super-regional mall, Dulles Town Center has zoning approval for up to 3,194,613 square feet of office and hotel space and 1,486,616 square feet of office, industrial, and flexible use space. (A portion of this property may be rezoned to retail.) No time schedule has been set for the development of this property. The developer is required to report each October whether a zone change for the property has been approved by Loudoun County and whether the ownership of any parcel has changed. A zoning ordinance amendment was approved by Loudoun County on September 16, 1998, related to the signage allowed for the mall. The developer has not reported any changes in zoning that affects the type of development allowed on the property or any changes in ownership.

(ii.) Leasing Status

In addition to agreements with the five anchor department stores, the developer has reported 129 fully executed leases, for 307,446 square feet of leaseable space representing 87 percent of total small shop leasable space. The total small shop leasable space, which excludes the anchor department stores, kiosks and other large stores, is 353,419 square feet. On the following page, Table A provides a list of those small shops within the mall that are reported as tenants in Dulles Town Center.

Table A

Athletic Wear
Champs
Finish Line
Foot Locker
Kid's Foot Locker
Lady Foot Locker
Payless Shoe Source
Redskins' Store
Rockport
Stride Rite
The Walking Company

Beauty Aid & Salons
Avalon Nail Salon
Bath & Body Works
Bubbles Hair Salon
Cartoon Cuts
Zen/Oriental Essence
Four Seasons Salon
Hair Cosmopolitan
Nail Citi
Oasis Concept Spa & Salon
Regis Hair Stylists
Trade Secret
Oriental Essence
Body Shop

Books & Stationary
Banner's Hallmark Shop
Carlton Cards
Waldenbooks
Day By Day Calendar

Children's Fashions
Abercrombie Kids
The Children's Place
Gymboree
Limited Too
Strasburg Children
Pumpkin Patch

Electronics
Bell Atlantic Mobile/Verizon
Cingular Wireless
Electronics Boutique
Nextel/Let's Talk Cellular
Hot Topic
RadioShack
Simply Wireless
T Mobile
In-Touch Wireless

Sports Gear
PS Game Gear

Fashion & Accessories
Abercrombie & Fitch
Aeropostale
After Hours Formal Wear
After Thoughts
American Eagle Outfitters
Ann Taylor Loft
Banana Republic
Cache
Charlotte Russe
Claire's Accessories
Dior Fashion
Easy Spirit
Express
Designer Shoes
Hollister
The Gap
Hot Topic
The Icing
Janeville
Janie & Jack
Jos A. Bank
Lane Bryant
BB Peppers
Lids
Motherhood Maternity
New York & Co.
Pacific Sunwear
Pretty Pretty
Pro Image
Rave
Victoria's Secret
Water Water Everywhere
Spirit Halloween

Food / Food Court
Blimpie Subs & Salad
Candy World
Chick-Fil-A
Desert Moon Café
Dippin Dots
Flamer's
Frank & Stein
The Great Steak & Fries
Grill Kabob
Just Desserts
Kelly's Cajun Grill
Little Tokyo
Master Wok
Mrs. Field's Cookies
Nestle's Toll House Café

Food / Food Court (cont.)
Sbarro
Splurge/Twist Again Pretzels
Texas Bar B Q
Tropik Sun Fruit & Nut
Vapiano
Cookology

Home Furnishings
The Bombay Company
Foliograph Gallery
Kirkland's
Select Comfort
Zen/Oriental Essence
Chateau de Versailles

Jewelry
Fashion Time
Fink's Jewelers
Kay Jewelers
Littman Jewelers
Reeds Jewelers
Shaw's Jewelers
Shawn Jewelers
Zales Jewelry

Optical
LensCrafters
Sterling Optical

Photography
Expressly Portraits
Foto Image
Ritz Camera

Services
Chevy Chase Bank
Dulles Custom Tailors
Dulles Express Repair Center
Liberty Travel

Specialty Gifts
Brookstone
Discovery Channel Store
The Disney Store
General Nutrition
Godiva
Motor Sports
Old Virginia Tobacco
Remix
Spencer Gifts
Stitching Station
Street Corner News
Sunglass Hut

Specialty Gifts (cont.)
Things Remembered
Thomas Kinkade Gallery
World Wide Luggage
Yankee Candle Company

Toys & Games
Kay Bee Toys

LEGEND
RETAIL
OFFICE
RESIDENTIAL
FLEX/INDUSTRIAL
VIRGINIA STATE ROUTE 7
VIRGINIA STATE ROUTE 28
DULLES TOWN CENTER
ILLUSTRATIVE DEVELOPMENT PLAN
LOUDOUN - LSJJ PARTNERSHIP
NOTE

In addition to the 129 permanent leases mentioned above, Lerner reports that as of September 30, 2008, kiosk leases with eleven tenants have been signed for common spaces within the mall. The developer also reports that leases have been signed with seven large retail tenants for 200,268 square feet within the mall. The developer reports that a lease with ECPI College of Technology has been signed for 31,850 square feet of space adjacent to the mall. The ECPI College of Technology space is located immediately adjacent to the mall but does not share a common entrance to the mall.

As of September 30, 2008, Lerner reports the following retail space that is either leased or subject to an operating agreement within the mall:

Table B
Retail Space that is Either Leased or Subject to an Operating Agreement

Retailer	Area	Percent
Anchors:		
Hecht's	180,000	100%
Sears	146,825	100%
JC Penny	124,656	100%
Lord & Taylor	120,000	100%
Nordstrom	144,000	100%
Subtotal Anchors*	715,481	100%
Large Retailers:		
Dick's Sporting Goods	75,000	100%
Old Navy	25,346	100%
Pediatric Nite	3,446	100%
Hennes & Mauritz	21,358	100%
Champion Billards	9,992	100%
Danker Furniture	20,126	100%
LA Fitness	45,000	100%
Subtotal Large Retailers	200,268	100%
Office:		
ECPI College of Technology	31,850	100%
Subtotal Office	31,850	100%
Small Shop Tenants	307,446	87.0%
Total	1,255,045	96.5%

*Note, Anchors own there space and are subject to an operating agreement, whereas all other space is leased.

(iii.) Other Development Activity

Build out of tenant spaces for 126 permanent tenants are complete. All four of the original anchor department stores—Hecht's, Lord & Taylor, Sears, and J.C. Penney—are now open. The mall was opened in April of 1999.

Construction of the fifth anchor department store, Nordstrom is complete and open for business. Construction of an additional 60,000 square feet of retail space, which extends from the existing mall to Nordstrom was completed on September 5, 2002.

Construction of a Marriott Courtyard Hotel is complete and the grand opening took place on March 12, 2001. Construction of the Jared's Jewelry, which is located on an out parcel pad site, was completed in the fourth quarter of 2000 and the developer reports that this retailer opened for business in December 2000. The developer reports that construction on an out parcel leased to M & T Bank (formerly Allfirst Bank) is complete and opened for business in January 2003. The developer reports that construction of the Riggs Bank, which has leased an additional out parcel (Q-1a), is complete and that the Riggs Bank facility opened for business in the third quarter of 2004.

The developer reports that construction is complete on the pad site (Q-2) leased to Haverty's and that this tenant opened for business in February 2005. Construction is complete on the six-planned restaurant pad sites. Pizzeria Uno and Macaroni Grill opened their respective restaurants in the third quarter of 2000. The developer reports that Red Lobster Restaurant opened for business on June 1, 2001. Construction of the Long Horn Steakhouse was completed in the third quarter of 2001 and opened for business shortly thereafter. The developer reports that a lease has been signed for the fifth pad site with Red Robin Restaurant. Construction on the Red Robin Restaurant is complete and the restaurant opened for business on May 1, 2002. According to the developer, The Cheescake Factory opened on December 4, 2006 on the sixth pad site.

Construction and tenant build out on the 94,716 square foot flex office building is complete. According to the developer, a lease has been signed with Leipzig and Barakat DDS for 2,556 square feet of space in this facility, and Leipzig and Barakat DDS opened for business in the third quarter of 2003. The developer also reports that two leases were executed with Innova Health Care for this facility. According to the developer, the first lease for 23,871 square feet is expected to expire on August 31, 2014 and the second lease for 30,220 square feet is expected to expire on April 2016.

As of December 31, 2006, construction of the 202,110 gross square foot spec office building was substantially complete. Lerner reports that Trex has leased 55,047 square feet of space in this facility. According to the terms of the lease, Trex is required to take on an additional 25,024 square feet of space between March 1, 2012 and September 1, 2012. However, Trex has already announced that they will not occupy the space they have leased, but the developer reports that they are fulfilling the financial obligations of the lease. A lease with C2 Portfolio for an additional 15,024 square feet in this facility has been executed. The developer reports that C2 Portfolio occupied their space on March 13, 2006. Lerner reports that as part of the lease agreement, the rent for this space has been waived for the first three months of each of the next few years. The developer reports that Neumont University, LLC was expected to open during the autumn of 2007 and occupy 22,446 square feet of space located in the spec office building. As of June 2, 2008, the developer reports that Neumont has terminated the lease and both parties have reached a settlement. The developer reports that a lease has been executed with Harris Corporation for 50,047 square feet of space in this facility. According to the developer, the lease with Harris Corporation is expected to expire on September 30, 2019.

The developer reports that a lease with ECPI College of Technology has been signed for 31,850 square feet of space adjacent to the mall. The ECPI College of Technology space is located immediately adjacent to the mall but does not share a common entrance to the mall. The developer reports that the college opened on August 2, 2001.

The developer reports that a lease has been signed with Dick's Sporting Goods for a portion of the pad site formerly under contract to Edwards' Cinema. The developer reports that a site plan was approved and construction began in the first quarter of 2005. The developer reports that construction of the interior and tenant buildout of the Dick's Sporting Goods is complete. Lerner reports that the branding area connecting the mall to Dick's is complete and in use. According to the developer, Dick's Sporting Goods was

opened for business on February 21, 2006.

The developer reports that a lease has been signed with LA Fitness for the balance of the acreage of the pad site formerly under contract with Edwards Cinema. The developer reports that the pad was on grade on January 11, 2006. The developer reports that all necessary permits have been approved for the construction of the facility for LA Fitness and that construction is completed. Lerner reports that LA Fitness opened for business on November 9, 2006.

The developer reports that a lease has been signed with Chuck E Cheese Pizza for approximately 2 acres of the 3.8 acre Pad Site Q-4. Lerner reports the Certificate of Occupancy was received on June 30, 2006 and the tenant opened on July 6, 2006. The developer also reports the landscaping is complete.

Lerner reports that the lease with BP (British Petroleum) for an additional pad has been signed and that the site plan has been approved. The developer reports that construction has been put on hold pending the discussion of tax issues. According to Lerner, BP continues to pay rent for this pad site.

The developer reports a lease has been executed with Mimi's Restaurant for Pad Site C-4. The developer reports the landlord approved Mimi's construction drawing and signage on May 31, 2006. Lerner reports that Mimi's Restaurant was opened for business on October 4, 2007.

Five new parcels with a total acreage of 79.1 acres have been created from parcel number 80-102A, referred to as the mixed-use parcel in the Limited Offering Memorandum. The Marriott Courtyard Hotel, the 202,110 gross square foot spec office building, and the 94,716 square foot flex office building will occupy three of the five additional parcels. Special assessment liens totaling $3,355,589.00 have been reallocated to these five additional parcels.

Parcel 80-97A has subsequently been subdivided to create parcel number 103 (the Nordstrom's parcel) with 13.67 acres. The assessment lien on this parcel is $4,430,593.00.

B. PUBLIC IMPROVEMENTS

(i.) Overview

The proceeds of the bonds will be used to fund the costs of public improvements required for the development of Dulles Town Center. Table C on the following page shows the status of the roads and the mall construction as of September 30, 2008. Table D on page 13 shows the budget for the public improvements and the amount funded as of September 30, 2008. The original budget has been revised to shift $997,692.00 from contingency to other line items. (The rationale for the difference in percentage complete between Table C and Table D is that each budget line item in Table D contains a contingency for final punch list work that has yet to be expensed. In addition, the balance of $434,749.00 in the budget change column in Table D is from interest earnings on the construction fund, which the CDA Board of Directors approved for construction use, and $254,621.00 in reserve fund interest earnings, which were transferred to the construction fund per the trust indenture.)

Table C
Status of Construction

Construction Activity	Percent Complete	Status
Dulles Town Center Boulevard II	100%	Open to traffic
Dulles Town Center Boulevard I	100%	Open to traffic
Nokes Boulevard	100%	Open to traffic; accepted by VDOT
City Center Boulevard	100%	Open to traffic; accepted by VDOT
Atlantic Boulevard	100%	Open to traffic
Ramps A& E	100%	Open to traffic
Sitework	100%	Complete
Building Shell	100%	Complete
Tenant Build-out	93.3%	126 tenants open, three tenant under construction
Anchor Stores	100%	Lord and Taylor, Hechts, Sears, J.C. Penney, and Nordstrom are complete

Table D
CDA Improvements Budget and Expenditures

	Original Budget	Budget Changes	Revised Budget	Construction Completed	Percent Complete	Approved Disbursements
Atlantic Boulevard	$2,252,000	$26,788	$2,278,788	$2,228,788	97.8%	$2,228,788
City Center Boulevard	$1,600,000	$337,958	$1,937,958	$1,937,958	100.0%	$1,937,958
Nokes Boulevard	$3,037,000	$605,853	$3,642,853	$3,642,853	100.0.%	$3,642,853
Dulles Center Boulevard	$4,228,000	$267,041	$4,495,041	$4,384,941	97.6%	$4,384,941
Algonkian Boulevard ramps						
Ramps A and E	$1,433,000	$317,036	$1,750,036	$1,700,036	97.1%	$1,700,036
Ramps F and J	$1,000,000	($574,201)	$425,799	$375,799	88.3%	$375,799
Algonkain interchange contribution	$7,400,000	$0	$7,400,000	$7,500,350	101.4%	$7,500,350
Soft costs	$1,432,948	$126,913	$1,559,861	$1,559,861	100.0%	$1,559,861
Reimbursements for engineering and consulting	$1,536,903	$0	$1,536,903	$1,536,903	100.0%	$1,536,903
Water and sewer	$1,304,761	$325,053	$1,629,814	$1,529,814	93.9%	$1,529,814
Contingency	$1,266,431	($997,692)	$268,738	$259,473		$259,473
Total	$26,491,043	$434,749	$26,925,792	$26,656,775	99.0%	$26,656,775

(ii.) The Algonkian Interchange

The bond issue included proceeds to fund a portion of the costs to complete the Algonkian interchange at Route 7. Atlantic Boulevard is to be extended across Route 7 to connect with existing Algonkian Road. This connection requires an overpass to be constructed at Route 7. A number of ramps are also planned for the interchange to convey traffic to and from Route 7 onto and from Atlantic and Algonkian.

The bond issue included $7.4 million to be paid to the county for these improvements. Additionally, bond proceeds were included for the construction of Atlantic Boulevard to the beginning of the overpass and the ramps on the south side of Route 7. Two of these ramps will serve traffic to and from Dulles Town Center and the two other ramps will serve traffic coming from or going to north of Route 7. The improvements to Atlantic are complete, as are the two ramps on the south side of Route 7 that serve traffic to and from Dulles Town Center.

The overpass, the extension of Atlantic to Algonkian, and the ramps on the north side of Route 7 were to be constructed by the CDA but funded by the county. The bond issue included $7.4 million to be paid to the county, along with interest income on this money, to pay for a portion of these costs. The county has provided another $1.4 million, which was mostly collected from developers as proffers. The state has allocated $2.8 million from state and federal transportation funds to fund these improvements.

The interchange was constructed in three phases. The first phase included the extension of Atlantic to Route 7 and the overpass. The second phase included the extension of Atlantic to connect with the existing Algonkian Road. The third phase included the ramps on the north side of Route 7.

Construction for Phase I commenced in April 2000. Phase I was opened to traffic in March 2003. The cost of the improvements for the first phase was approximately $7.4 million, which has resulted in the expenditure of all of the bond proceeds funded for these improvements. The Phase II improvements were opened to traffic on July 25, 2003.

According to Site Management, construction of the Phase III improvements (Ramps F and J) is complete and these improvements were open to traffic in early January 2004.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 1998 Bonds is Sun Trust (formerly Crestar Bank). The balance as of December 31, 2007, interest paid, disbursements, special assessment collections, additional proceeds, and account balances for each fund as of September 30, 2008, are shown by the following table:

Table E
Account Balances

	Balance 12/31/07	Interest Paid	Additional Proceeds	Disbursements	Balance 09/30/08
Bond Payments Account	$0	$0	$2,648,125	$2,648,125	$0
Reserve Fund	$3,969,229	$118,663	$0	$0	$4,087,893
Construction Account	$494,989	$7,625	$0	$0	$502,614
Admin Expenses Fund	$52,319	$654	$0	$38,355	$14,617
Special Assessment Revenue	$218,626	$3,638	$2,799,232	$2,648,125	$373,370
Total	$4,735,163	$130,580	$5,447,357	$5,334,605	$4,978,494

The additional proceeds to the Bond Payments Account were transfers from the Special Assessment Revenue Account to pay debt service. The additional proceeds to the Special Assessment Revenue Account were transfers of special assessments collected by the county. Disbursements from the Special Assessment Revenue Account represent annual assessments transferred to pay debt service. The disbursements from the Administrative Expense Fund were to pay the administrative expenses of the CDA.

The interest paid through September 30, 2008 does not include interest accrued but not yet paid. The bond proceeds in the Reserve Fund in the amount of $3,656,000.00, which is equal to the reserve requirement, is invested in a Bayerische Landesbank Guaranteed Investment Contract (GIC) earning 3.11 percent per annum and maturing on March 3, 2009. The remaining funds are invested in money market funds currently earning approximately 0.18 percent.

Investment income on the bond payments account will be applied to the payment of debt service. 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 expenses fund (iii) to the construction account, if not closed (iv) to the bond payments account (v) to the additional reserve account. Investment income on the construction account will remain in the account and may be disbursed as provided for other funds in the account.

Investment income on the Algonkian interchange account was transferred to the construction account. Investment income on the administrative expense fund will remain in the fund.

Table F

Account	Rate of Return
Reserve fund	3.11%
Special Assessment Revenue	0.18%
Construction account	0.18%
Administrative expenses	0.18%

V. DISTRICT OPERATIONS

A. SPECIAL ASSESSMENTS LEVIED AND COLLECTED

An annual installment is to be imposed each year within the Dulles Town Center 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 2007 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 G provides a summary of the annual revenue requirement for 2008. Special assessments in the amount of $2,954,373 will be levied and collected in 2008 in order to meet the annual revenue requirement.

Table G
FY08 Annual Revenue Requirement

Debt service:	
Interest Payment, September 2008	$1,107,500
Interest Payment, March 2009	$1,107,500
Principal Payment, March 2009	$560,000
Total Debt Service	$2,775,000
CDA Operations	$88,750
Contingency	$181,246
Sub-total expenses	$3,044,996
Reserve fund investment income	($88,750)
Surplus from prior year	($1,873)
Annual revenue requirement for 2008	$2,954,373

(i.) Debt Service

Debt service includes interest on the bonds payable on September 1, 2008 and March 1, 2009. Each interest payment is $1,107,500 equal to interest on the bonds at 6.25% for six months on the outstanding principal balance of $35,440,000. A principal payment of $560,000 is due on the bonds on March 1, 2009. Total debt service on the bonds to be paid from special assessments collected in 2008 is $2,775,000.

(ii.) Operational Expenses

The estimated CDA operational expenses are shown in Table H.

Table H
FY08 Estimated CDA Operational Expenses

Meetings of the authority 20 meetings each year at $1,250 per meeting	$25,000
Meetings of the CDA counsel 20 meetings each year at $1,200 per meeting	$24,000
Trustee	$2,000
Administrator	$15,500
Loudoun County charge for issuing assessment bills	$5,000
Contingency	$17,250
Total administrative expenses 2008	$88,750

(iii.) Contingency

A contingency, equal to approximately six percent of annual expenses, has been added in the event of annual assessment delinquencies or unanticipated expenses.

(iv.) Reserve Fund Investment Income

The bond proceeds in the reserve fund in the amount of $3,656,000, which is equal to the reserve requirement, are invested in a Bayerische Landesbank Guaranteed Investment Contract (GIC) earning 3.11 percent per annum maturing on March 3, 2009. The yield on the current required balance of $3,656,000 will result in annual investment income of $113,701.60. In compliance with the order of transfer outlined above and in the Trust Indenture, a portion of these funds equal to annual administrative expenses in the amount of $88,750 may be transferred to the administrative expense fund to pay administrative expenses for fiscal year 2008.

(v.) Surplus from Prior Year

The estimated surplus from the prior year that may be applied to pay debt service and administrative expenses in fiscal year 2008 is outlined below in Table I. An aggregate debt service payment in the amount of $1,540,625 is due on March 1, 2008, which includes a $1,120,625 interest payment and a $420,000 principal payment. Assessments in the amount of $1,324,545 (i.e., $1,327,045 in second half annual assessments less the county's charge of $2,500) were due on December 5, 2007 and will be transferred to the trustee on or before the next debt service payment, which is scheduled for March 1, 2008. As of November 30, 2007, the balance in the special assessment revenue fund was $217,953. As of the same date, the balance in the bond payment account was zero. The funds in the special assessment revenue fund will be transferred to the bond payment account to pay a portion of the debt service payment on March 1, 2008.

As of November 30, 2007, the reserve fund balance was $3,968,266, which includes the original deposit of $3,656,000 plus interest earnings of $312,266. In compliance with the order of transfer outlined above and in the Trust Indenture, a portion of the interest earnings may be transferred to the administrative expense fund to reimburse the administrative expense fund in the amount of $17,567 for the balance of the fiscal year 2007 administrative expenses described below.

Table I
Surplus from Prior Year

Debt Service:	
Interest payment, March 2008	$1,120,625
Principal payment, March 2008	$420,000
Total debt service	$1,540,625
Balance of FY07 administrative expenses	$69,724
Subtotal expenses	$1,610,349
Available funds:	
Semi-annual assessments due at December 5, 2007	$1,324,545
Fund balances:	
Special assessment revenue fund at November 30, 2007	$217,953
Bond payment account at November 30, 2007	$0
Available reserve fund interest income	$17,566
Available administrative expense fund	$52,158
Subtotal available funds	$1,612,223
Surplus from prior year	$1,873

The last time investment income in the reserve fund was transferred to the administrative expense fund to defray the costs of annual administrative expenses was in fiscal year 2005. As of November 30, 2007, the balance in the administrative expense fund was $52,158. The administrative expense budget for fiscal year 2007 was $85,000. As of November 30, 2007, $15,276 in administrative expenses had been paid for fiscal year 2007, resulting in a balance of $69,724 (i.e., $85,000 - $15,276 = $69,724) in fiscal year 2007 administrative expenses that may be funded from the balance of $52,158 in the administrative expense fund and $17,567 (i.e., $69,724 - $52,158 = $17,567) in reserve fund investment income described above. Accordingly, the second half fiscal year 2007 assessments to be transferred, the special assessment revenue fund balance, available reserve fund investment income to be transferred to the administrative expense fund and the available funds in the administrative expense fund needed to pay the balance of administrative expenses for fiscal year 2007 are estimated to exceed the March 1, 2008 debt service payment and the balance of administrative expenses for fiscal year 2007, resulting in a surplus of $1,873 [*i.e.,* ($1,324,545 + $217,953 + $17,566 + $52,158) − ($1,120,625 + $420,000 + $69,724) = $1,873] for fiscal year 2007.

Summary

The estimated expenses for the CDA for 2008 are $2,863,750. The estimated funds available to pay these expenses are $90,623, resulting in an annual revenue requirement of $2,954,373. Accordingly, special assessments in the amount of $2,954,373 will be collected in 2008 to meet the annual revenue requirement.

B. REALLOCATION OF SPECIAL ASSESSMENT

When the CDA was created it consisted of two parcels. The special assessment lien on the mixed-use parcel, parcel number 80-102A, was $14,267,598.00. This parcel has been subdivided into six parcels, one of which is the remaining portion of parcel 80-102A. Parcel 80-97A has subsequently subdivided to create parcel number 103 (the Nordstrom's parcel) with 13.67 acres. The respective acreage and the reallocated special assessment on each of these parcels are given in the table below. The aggregate assessment lien has been reduced to $49,389,701.00 due to principal reductions totaling $1,120,000.00 through March 1, 2008.

Table J
Reallocation of Assessment Lien

Parcel	Acreage	Assessment Lien
Parcel 102 (Block 61)	12.50	$530,540
Parcel 102 (Block 1)	7.75	$328,756
Parcel 102 (Block 2)	6.44	$273,270
Parcel 102 (Block 3)	42.88	$1,802,581
Parcel 102 D	9.50	$420,442
Parcel 80-102A	185.28	$10,595,640
Parcel 80-97A	71.00	$31,007,879
Parcel 103	13.67	$4,430,593
Total	349.02	$49,389,701

The parcels on which the 156 room Marriott Courtyard Hotel, the 202,110 gross square foot spec office building, and the 94,716 square foot flex office building will occupy are Parcel 102 (Block 2), Parcel 102 (Block 61), and Parcel 102 D, respectively.

C. DELINQUENT SPECIAL ASSESSMENTS

There are no delinquent annual assessments for fiscal years 1999 through 2006. Annual assessments in the amount of $2,654,091 were to be collected on the taxable property within the CDA in fiscal year 2007 in two equal installments of $1,327,046 on June 5 and December 5, 2007. As of January 20, 2008, Loudoun County has reported collecting and transferring to the trustee, $2,654,091, representing 100 percent of the annual assessment due. As a result, there are no delinquent annual assessments for fiscal year 2007.

Annual assessments for fiscal year 2008 in the amount of $2,954,373 are due in June and December 2008. As of September 3, 2008, Loudoun County reports that annual assessments in the amount of $1,477,186.50 have been collected, representing 100 percent of the first half installment for fiscal year 2008.

D. COLLECTION EFFORTS

There are no collection efforts underway at this time.

E. PREPAYMENT OF ASSESSMENTS

There have been no prepayments of special assessments.

F. BONDS CALLED FOR REDEMPTION

There have been no bonds called for redemption and no changes to the sinking fund payments as set forth in the indenture of trust.

G. CDA PARCEL STATUS

The following table shows each parcel in the CDA, its current land use, acreage, assessed value as of January 1, 2008, the current assessment lien, the annual installment to be levied and collected in 2008 and the share of the total annual installment of each parcel. Total assessment liens are equal to $49,389,701, which represents bonds outstanding in the amount of $35,440,000 and additional bonds that may be issued of $13,949,701.

Table K
CDA Parcel Status

Parcel	Land Use	Acreage	Assessed Value (01/01/08)	Assessment Lien	2008 Annual Installment	Percent
Parcel 102 (Block 61)	Spec office bldg. (202,110 sq. ft.)	12.50	$0*	$530,540	$31,736	1.07%
Parcel 102 (Block 1)	Vacant land	7.75	$3,375,900	$328,756	$19,665	0.67%
Parcel 102 (Block 2)	Marriott Courtyard Hotel	6.44	$22,811,800	$273,270	$16,346	0.55%
Parcel 102 (Block 3)	Vacant land	42.88	$13,541,900	$1,802,581	$107,826	3.65%
Parcel 102 D	Flex office bldg. (94,716 sq. ft.)	9.50	$13,155,500	$420,442	$25,150	0.85%
Parcel 103	Nordstrom	13.67	$54,477,900	$4,430,593	$633,806	21.45%
Parcel 80-102A	Vacant land	185.28	$16,143,500	$10,595,640	$265,027	8.97%
Parcel 80-97A	Dulles Town Center Mall	71.00	$290,682,100	$31,007,879	$1,854,817	62.78%
Total		349.02	$414,188,600	$49,389,701	$2,954,373	100.00%

* Parcel 102 (Block 61) is platted on the same PIN with Parcel 80-102A.