INDUSTRIAL DEVELOPMENT AUTHORITY OF LOUDOUN COUNTY, VA
RESIDENTIAL CARE FACILITY REFUNDING REVENUE BONDS
(FALCONS LANDING PROJECT)
CUSIP 54589PBY5
JUNE 26, 2008

SUMMARY CREDIT OVERVIEW

The subject bonds were issued by the Industrial Development Authority of Loudoun County, Virginia (the "Authority"), as Residential Care Facility Refunding Revenue Bonds (the "Bonds") on behalf of the Air Force Retired Officers Community – Washington, D.C. (the "Corporation").

Bondholder security appears satisfactorily maintained with a favorable market profile and adequate, though slightly weakened, financial performance over recent years. Among the most important factors supporting the Corporation's credit standing is its favorable market niche, which focuses on serving retired military officers and their spouse—with only limited competition—in the Virginia-Maryland-Washington, D.C. region. Overall facility occupancy also appears satisfactory.

Despite recent deterioration, the Corporation's financial profile has been satisfactorily maintained with adequate, though somewhat narrow, liquidity and debt service coverage. Also, noted is the Corporation's practice of using internal resources to fund major capital expenses. While this is a positive practice that limits debt load, it does result in a reduction in liquidity.

Given the Corporation's favorable market position and satisfactory occupancy and financial attributes, its prospective credit profile has the potential to be stable to improving. However, given the Corporation's already limited liquidity and moderate debt load the potential use of substantial amounts of funds-on-hand or debt financing in connection with a new ten-year master plan could strain the Corporation's future financial and credit profiles.

Although the Bonds are unrated, it is our opinion that based on the aforementioned credit attributes, if rated, the Bonds would likely carry a credit rating in the "BBB/Baa" range.

SECURITY DESCRIPTION

The Bonds are limited obligations of the Authority payable from revenues received pursuant to a Loan Agreement between the Authority and the Corporation. The Corporation has also granted a mortgage on all facilities constituting the Falcons Landing facility, a continuing care retirement community (CCRC) located on a 35.2 acre campus in Potomac Falls, Virginia.

The legal package also includes several covenants that require financial tests that must regularly be met by the Obligated Group and its members to protect bondholder interests. These tests include a rate covenant requiring rates and charges be established each year at a level sufficient to generate at least 1.20-times coverage of annual debt service expenses and a liquidity covenant requiring the maintenance of certain cash and cash equivalents equal to at least 120 days of annual operating expenses.

UTILIZATION PROFILE

Falcons Landing opened in 1996 to serve the high concentration of retired military officers living within the Washington, D.C. area, which includes Virginia and Maryland. As of May 31, 2008, Falcons Landing encompassed 239 apartments and 80 houses for independent living as well as 60 nursing beds and 71 assisted living beds. In May 2006, the newest component of the facility was opened under the name West Falls, an assisted living facility with beds for forty-two residents. The facility's size is broadly in-line with 2006 medians for CCRCs—the latest year for which such medians are available—carrying a rating in the "BBB" range as assigned by FitchRatings. According to the rating agency, the 2006 unit/beds median for these CCRCs was 226 independent living units, 60 assisted living units and 100 skilled nursing beds.

According to data provided by Globalsecurity.org, there are approximately 200,000 active military personnel based in Virginia, Maryland and Washington, D.C. This last figure does not include the large number of retired military officers who have decided to maintain permanent residence in the area, nor does it include a number of military officers who live in the area and now work for other government agencies or military contractors. The area is home to two other facilities serving retired military personnel. However, according to the Corporation, these competing facilities are far older than Falcons Landing and lack the amenities and attractiveness of the Corporation's facility.

Competition outside the primary service area is also limited. According to the Corporation, there are several other facilities in the nation dedicated to serving retired military personnel. In addition, the northern Virginia area has developed into an attractive retirement destination on its own. As a result, Falcons Landing has attracted a number of residents who relocated from other parts of the United States.

As of March 31, 2008, Falcons Landing reported overall unit occupancy of 93%, seemingly below the favorable 98.4% figure reported for the end of FY 2005. However, according to management, the lower recent occupancy rate reflects in large part the ongoing renovation of a significant number of units. Although the units cannot be occupied, the Corporation's statistics include them as part of the facility's overall stock. Broken down by unity type, occupancy was 95% for independent living units, 84% for assisted living units and 92% for skilled nursing units. According to Fitch, the 2006 median occupancy rates for CCRCs carrying an investment grade rating was 96.5% for independent living units, 94.1% for assisted living units and 92.2% for skilled nursing units.

FINANCIAL PROFILE

The Obligor appears to maintain a satisfactory financial profile as highlighted by adequate debt service coverage and liquidity. For FY 2007, which ended on December 31st, the Corporation reported a net operating gain of $671,333, or more than three-times more than the figure reported for FY 2006. The improved results reflect several items including an increase in health care service revenue, up $1.4 million or 26.9%, and an increase in investment income, up $0.7 million or 89.8% over prior year results.

The Corporation's operating ratio (which highlights the relationship between operating expenses and revenues) has increased considerably in recent years, approaching 100%, and is well-above the median for those reported by Fitch for CCRCs rated in the "BBB" range. In FY 2005, the Corporation's operating ratio (which included the amortized portion of entrance fees) was 93.3%. However, in the two subsequent years, the ratio increased significantly to 99.2% and 99.0% respectively. The ratio for 2006 is above the Fitch 2006 "BBB" median of 95.0%. If the calculation excluded all entrance fees, the ratio would have exceeded 100%.

Coverage of debt service on the Corporation's long-term debt has also deteriorated in recent years. Funds available to pay debt service in FY 2007 declined to 1.70-times future maximum annual debt service, from 1.84-times in FY 2005. Based on unaudited data covering the first three months of FY 2008, the ratio appears to be improving. The coverage ratio for the first quarter of FY 2008 was 2.01-times future maximum annual debt service. The coverage ratio for the comparable period in FY 2007 was 1.52-times. The ratio was particularly low

in FY 2006, coming in at 1.56-times. This ratio is well below 2.2-times Fitch median for CCRCs rated in the "BBB" range.
The limited coverage is somewhat offset by management's assertion that it regularly pays all of its operating and interest expenses from regular operating fees, without use of any one-time entrance fees. This practice provides the Corporation with an added measure of financial flexibility. Overall, the Corporation's ability to generate positive cash flow allowed it to accumulate sufficient cash to fund the construction of the $11 million West Falls facility from a combination of cash on hand and ongoing operating surpluses.

As of FYE 2007, the Corporation reported 383-days-cash-on-hand, up significantly from 316-days reported one year earlier. The 2006 Fitch median for CCRCs rated in the "BBB" range was 321 days-cash-on-hand. Most recently, the Corporation's liquidity position had declined to approximately 302-days as of March 31, 2008. The reduction reportedly reflects the ongoing use of cash to fund renovations as well the unavailability of some units due to the renovation project.

Air Force Retired Officers Community	**Audited Annual Financial Results (FYE December 31st)**			**Interim Financial Results**	
	FY2005	**FY2006**	**FY2007**	**3-Mos Thru 3/31/2007**	**3-Mos Thru 3/31/2008**
Debt service coverage ratio					
Total revenue	21902.4	22,327.60	25,106.80	6,260.30	6,394.40
Total operating expenses	14094.1	15,719.20	17,878.30	4,643.80	4,266.00
Income available for debt service	7,808.30	6,608.40	7,228.50	1,616.50	2,128.40
Max annual debt service expenses *	4,240.40	4,240.40	4,240.40	1,060.10	1,060.10
LT debt service coverage ratio (X)	1.84	1.56	1.70	1.52	2.01
Operating ratio (%)	93.3	99.2	99.0	NA	NA
Days Cash-on-hand	NA	316	383	398	302

Source: Audited annual and unaudited interim financial statements.
* Debt service in interim periods based on 1/4 future maximum annual debt service.

DEBT PROFILE

As of December 31, 2007, the Corporation reported total long-term debt outstanding of $52.7 million, all of it related to the 2004 refinancing of the previously outstanding Series 1998 bonds. The Series 2004 bonds, a portion of which were issued as variable-rate obligations, are scheduled to remain outstanding through FY 2024. The debt is substantial relative to the value of all property, plant and equipment, less accumulated depreciation. As of December 31, 2007, the ratio stood at 103.3%. However, concern over this heavy debt load is mitigated by the Corporation's track record of generating satisfactory coverage of debt service by available resources.

The Corporation is reportedly in the process of developing a ten-year master plan that may ultimately provide for a number of projects including a new parking garage. It is impossible at the present time to determine the scope and cost of the final plan, or how the cost would be funded.

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