5/5/5

PAST PRESENT FUTURE

WASHINGTON CONVENTION CENTER AUTHORITY **2008 ANNUAL REPORT**

PAST, PRESENT, FUTURE

In 2008, the new Washington Convention Center celebrated its first five illustrious years and promises to enjoy a bright future as an indispensable fixture in Washington, DC.

Renamed in honor of the District of Columbia's first Home Rule mayor, Walter E. Washington, the Center, as it is commonly referred to, has been wowing new and longtime clients, visitors, and event planners with its state-of-the-art design, gracious hospitality, and experienced and dedicated staff.

Over the last five years, the Center has achieved incredible success. It has played a key role in revitalizing the downtown District and for each of the past five years, it has continuously drawn many visitors, adding hundreds of millions of dollars to the local economy, attracting new clients and improving and expanding services to better accommodate clients and attendees.

The Washington Convention Center Authority (WCCA) manages and operates the Center and is proud of its achievements over the past five years. To commemorate the Center's success, we look back at the past, celebrate the present, and look forward to the exciting changes the future holds for the next five years.

PAST

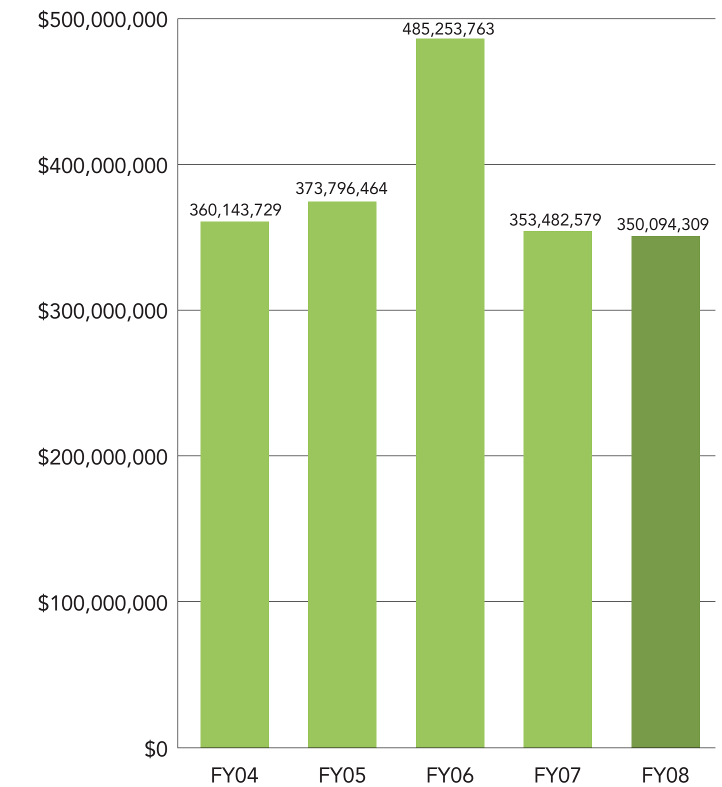
The Washington Convention Center: A History

The very first center, the Northern Liberty Market, was built in 1874 and extended the length of 5th Street, NW between K and L Streets. In 1893, a second story auditorium was added that could accommodate 5,000 people, and the name was changed to the Convention Center. For fifty years thereafter, that Center hosted a large variety of events and activities, including revival meetings, fairs, auto shows, roller skating, and bowling. During the 1930s and 1940s, the Center changed locations and names twice while continuing to serve as a meeting place for the residents of and visitors to the nation's capital.

Beginning in 1969, the city worked to gain support for the construction of a modern convention center. A proposed Eisenhower Civic Center went through several design iterations and a relentless campaign to win congressional support before the concept was shelved. In 1976, the District's first Home Rule administration revived the idea of building a convention center, and two years

The new Washington Convention Center opened its doors in grand style on March 29, 2003, becoming a leading catalyst for economic growth in the District.

ESTIMATED DELEGATE SPENDING, FY 04–08



later reached a funding agreement with Congress. The specifications for the original Eisenhower Civic Center were adapted for the new project and groundbreaking was held for the old Washington Convention Center in 1980.

On December 17, 1982, the old Washington Convention Center opened to great fanfare on an approximately 10-acre location at what was then the northern edge of downtown DC. At that time, it was the fourth largest facility in the United States, but by 1997, the old Center was considered too small to compete seriously for major conventions. The current Convention Center was constructed specifically for large public gatherings and is the second largest building in the city.

AN ALLIANCE BRINGS CHANGE

Even though Washington, DC needed a new convention center, winning approval for construction of a new building proved to be a herculean task. It took a considerable amount of time and effort to convince the hospitality industry, the District government, and the community and civic groups in the Shaw neighborhood, home of the proposed site, that a new facility should be a top priority for the city and, in fact, vital to the hospitality industry and to the overall economy of the District.

Several tenacious individuals, including members from the Hotel Association, Restaurant Association, the Washington Convention and Tourism Association (now the Washington Convention and Tourism Corporation or Destination DC) and the American Council of Engineering Companies in Louisiana were instrumental in helping to gain approval and funding for the new Center despite a slowing economy.

As a result of their foresight, hard work and determination, approval was gained for the construction of a new Center. Their efforts led to the creation of the WCCA, which built, and now manages and operates, the new Center.

The Washington Auto Show draws more than

250,000

attendees annually.

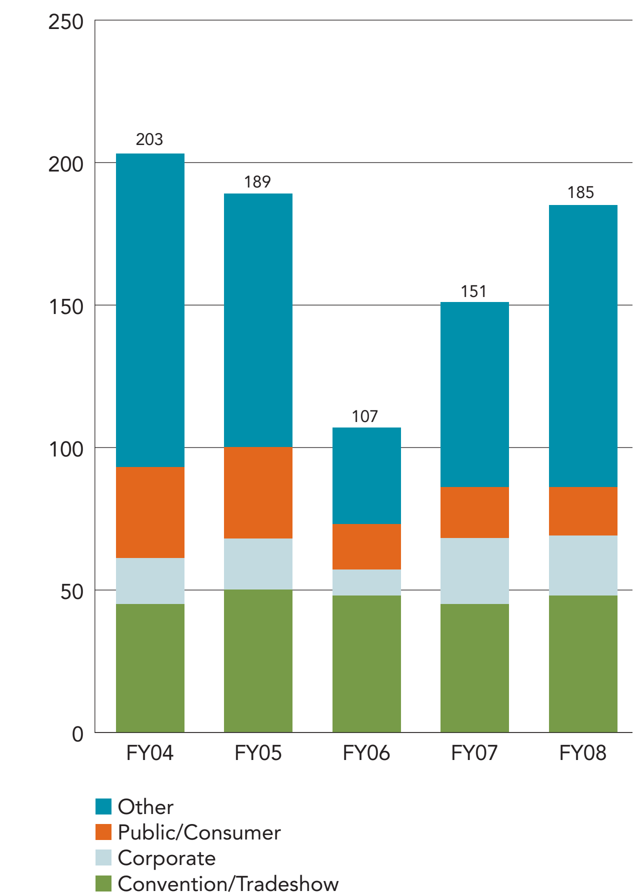
The new Washington Convention Center opened its doors in grand style on March 29, 2003, becoming a leading catalyst for economic growth in the District. The building has won several prestigious awards for both its inspiring design and its impact as an urban renewal project, and has helped make the Shaw neighborhood attractive to new residents and businesses. Twice the size of the old building, the new Center has allowed us to compete for and win top tier national meetings and conventions that bring significant economic benefits to the city. As one of the most energy-efficient buildings of its size, the Center is able to host multiple, simultaneous trade shows, national and international conventions, musical, educational and athletic events, regional meetings and corporate events. Adorned with beautiful granite and limestone floors, the Convention Center is one of the most elegant meeting venues in the nation. Its spacious and captivating Grand Lobby, replete with a dramatic 100-foot curved glass entry, foreshadows the elegant 52,000 square foot ballroom that is available for guests' use. It has become the ultimate meeting place.

LEGACY CLIENTS

Both the old and new Centers have been home to three clients whose shows have been immensely popular over the years: The Washington Boat Show, FOSE (originally Federal Office Systems Expo) and the Washington Auto Show.

The first Washington Boat Show was produced in 1961 at the DC Armory by the Washington Area Marine Dealers Association. When the old Convention Center opened in 1982, the show moved right in, and, according to our customer and show producer Tom Stafford, part of the show's growth and popularity is directly due to the (old and new) Center's infrastructure and staff. The Boat Show is the East Coast's third largest indoor boat show, showcasing over 500 boats, from 16 foot sailboats to 50 plus foot yachts, and offering several hundred booths with vendors selling everything from nautical-inspired furniture to boating vacations and boat accessories.

EVENTS HELD AT THE WASHINGTON CONVENTION CENTER, FY 04–08



The Center is able to host multiple, simultaneous tradeshows, national and international conventions, regional meetings and corporate events.

FOSE is one of our most prominent events and was first hosted in the old Center in 1982. As one of the nation's largest tradeshows serving the government marketplace, FOSE attracts thousands of senior level IT decision makers from federal, state, local, and international government converging to learn, network, share experiences, and evaluate products, services and solutions from over 400 industry partners. FOSE combines education and networking opportunities to the attendees each year. Where other IT events are no longer in existence, FOSE stands due in large part to the government leading the IT charge.

Our longest running show, the Washington Auto Show, was founded in 1921 when the car industry was in its infancy. As cars grew in popularity, so too did the size and scope of the Auto Show. In its first year, 20 Washington, DC-area dealers and distributors came together to promote the benefits of the horseless carriage. Nine decades later, the show displays 700 makes and models from 42 manufacturers and continues to draw huge crowds each year. The show evolved into the auto industry's national policy show and now highlights safety, technological breakthroughs, and green solutions. Our customer, the Washington Area New Auto Dealers Association, produces the five-day show, which regularly draws approximately 250,000 attendees annually, including consumers, members of Congress, government policy makers, automotive innovators, and industry leaders.

CREATING JOBS, BUILDING THE ECONOMY

By playing a visible and important economic role in Washington, we strive to extend the Center's economic reach to all corners of the city. To that end, we have focused on contracting with local and small businesses to provide goods and services that directly help run and maintain the Center. This has created opportunities for local entrepreneurs to grow, expand and compete for jobs on other big projects across the country.

We have helped revitalize the Shaw and Gallery Place neighborhoods where we are located by attracting investment in the two communities.

At the close of Fiscal Year 2008, which ended in September, we received 51 percent of goods and services from local businesses that have been recognized through the government of the District of Columbia as Certified Business Enterprises (CBEs), a program founded specifically to create jobs and strengthen the local economy. Our contracts with CBEs exceeded the mandated annual goal set by the government. We are pleased to announce that in 2008, we awarded $9,783,971 in contracts to our certified business partners. These vendors range from construction companies to electrical contractors to printers and marketing firms.

Just as importantly, we have helped revitalize the Shaw and Gallery Place neighborhoods where we are located by attracting investment in the two communities. New businesses and housing have brought a new influx of people, who, in turn, are re-energizing the area. Any day of the week, you can walk our neighborhood streets and see the renewed sense of community.

FUN FACTS

Ice skating rinks were installed in the old Center for performances of "Disney on Ice" and practice sessions for the 2003 World Figure Skating Championship.

The old Center hosted Jesse Jackson when he announced his run for the US presidency in 1983, Nelson Mandela's visit to the US in 1991, and the MTV Rock N Roll Inaugural in 1993.

The DC Dental Society Annual Convention was the last event held at the old Center.

The old Center was one of the first convention centers in the country to establish a rotating art collection worth $1.5 million.

Before the old Center was demolished, the Walt Disney Company used it for staging vehicles and equipment used during the filming of the first "National Treasure" movie.

PRESENT

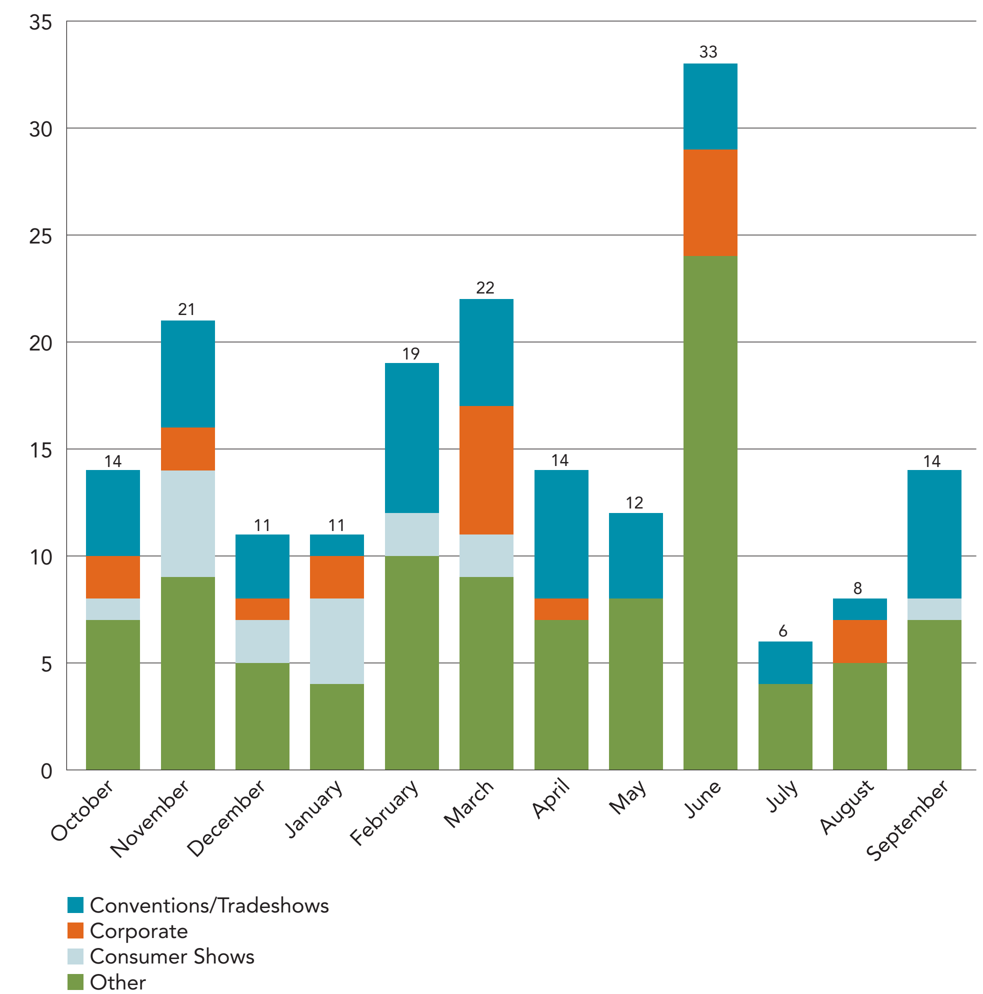
Five Year Anniversary Brings Stellar Success

At our five-year mark, our status as a high-performing and vital part of the city's economy has been cemented. Our staff and service partners contributed enormously to the success of the Center, while our green initiatives and unique design helped set us apart and attract top events.

Our impressive first year of operation (2003–2004) validated the cause for developing a new Center for the District of Columbia. Nearly one million delegates contributed a remarkable $426.5 million to the District's economy. We exceeded the million-delegate visit mark again in 2005, 2007, and 2008, generating hundreds of millions of dollars each year, and in 2006, convention delegate spending catapulted to nearly $500 million.

In addition to commemorating our anniversary, 2008 was also an extraordinary and productive year for us, despite the challenging global economy. There were an unprecedented 185 events which were attended by 1.1 million people who, in turn, generated $354.1 million in delegate spending. The events represented a healthy diversity of markets, from government to consumer, from health and medical to education, and from travel and tourism to real estate.

FY08 EVENTS BY MONTH



On average the Convention Center hosts 47 conventions and tradeshows, 23 public/consumer shows, and 17 corporate events each year.

Event and meeting planners continually praise our staff and state-of-the-art facility. Between 2003 and 2008, 65.5% of the conventions and tradeshows that took place at the Center have been rebooked at least once through 2013. There is certainly plenty to admire as our gleaming new building is three times larger than the old one and boasts 150,000 square feet of meeting space, 703,000 square feet of exhibition space, and 52,000 square feet of ballroom space. Because of the Center's capacity, the District has nearly doubled the number of meetings and conventions it hosts, a feature that is reflected in the numbers.

While visitors to the Center often remark on its beauty and thoughtful design, little do they know that the design team faced quite a challenge to keep the huge space contained on a footprint of only 600,000 square feet. To squeeze 2.3 million square feet into this space without disrupting the historic neighborhood, the architects created the first vertically-stacked, long-span convention center in the United States with more than 40% of the facility underground. The building is also unique in that it has two east-west streets cutting through it with meeting and exhibition space stacked on several levels.

MARKETING PARTNERS

To bolster the Center's success, we work closely with three partners to market and promote the Center to various constituencies. The Greater Washington Hispanic Chamber of Commerce (GWHCC), Destination DC, and the DC Chamber of Commerce officially became partners of the WCCA in 1998, following the passage of legislation by the District government, establishing a Marketing Fund that allows us to work with those partners to market the

Our marketing partners help promote the Center as well as Washington, DC as a destination for global meetings, tourism, conventions, and special events.

District as a destination for conventions, tourism and leisure travel. While Destination DC serves as the city's convention and visitor's bureau and the DC Chamber supports and advocates for the local business community, the GWHCC has helped the Center establish strong ties with the Hispanic community, both at home and abroad. Partnership with each of these organizations has been instrumental in helping the Center attract new clients and expand its business opportunities.

Destination DC is the premier destination marketing organization for the entire city and the Walter E. Washington Convention Center. Through development and execution of integrated marketing, communications, sales, and research efforts, Destination DC boosts positive awareness and generates demand for the District as a first-class venue for meeting planners and attendees of every lifestyle and demographic type. They take a dynamic leadership and visionary role to successfully market the destination as a global meetings, tourism, convention, and special events city. They are responsible for long-term sales of all meetings and conventions that generate at least 2,500 peak hotel nights and greater. In 2008, Destination DC booked 16 citywide events with an approximate attendance of 200,000 people and 400,000 room nights.

Each year, Destination DC generates 22 percent of all DC hotel rooms used or approximately 130,000 rooms each year from convention, group meetings, website reservations and leisure travel to the city, inspiring spending not only in hotels but in businesses throughout the nation's capital. Their efforts generate revenues and economic benefits to the community at large, the stakeholders, and the Washington Convention Center Authority.

GWHCC promotes both the Center and Washington, DC to Hispanic business leaders, decision makers, and countries as a destination of choice for tourism, meetings,

The Center is the proud owner of the largest public art collection of any convention center in the United States, with over

$4 million

of sculptures, paintings, photography, mixed media, and graphics, half of the artwork highlighting that of local artists.

conventions and exhibitions, banquets, and social events. GWHCC translates and distributes materials to local and regional media outlets, and federal, local and international Hispanic organizations in the Washington metro area. Additionally, GWHCC works with the tourism and commerce departments of select Latin American embassies to bring cultural and commercial events to the Center.

The DC Chamber of Commerce has served the District's business community with distinction for over half a century. Representing the largest association of businesses in the region, the Chamber is a key asset in helping promote current initiatives of the Authority to local business decision makers and generate additional revenues through the development of new business opportunities in meetings, banquets, social events, exhibitions and other activities. Equally important is the work accomplished by promoting tourism in the District of Columbia through the Chamber's management of the Visitor's Center.

RECOGNIZING OUR IMPACT... ONE FOOTPRINT AT A TIME

From the very beginning, the new Walter E. Washington Convention Center was designed to be environmentally friendly, and the commitment to incorporate sustainability practices and green initiatives whenever possible has continued. To that end, the Center is one of the first in the country to offer color-coded recycling stations in exhibit halls, and it has recently begun a food composting program.

To broaden further the impact of our environmental programs, the Center's staff works closely with event planners in order to help them reduce our environmental impact. This commitment to environmental responsibility is a strong selling point and often a major deciding factor for event planners during the site selection process.

One year prior to an event, Center staff begin discussions on how best to integrate the Center's green policies and

Green Initiatives

In 2008, the Center reduced electrical consumption by 2,852,000 kilowatts which is enough to run 320 average homes in the United States.

Nearly one mile of the Center's corridors have newly installed people sensors which shut off the lights automatically when there is no one in the area.

In 2008, there was a 50% reduction in water cooling usage for the Center's air conditioning system.

Environmentally responsible and post-consumer recycled products are used whenever possible. For example, in 2008, we used approximately six tons of wooden palettes.

programs with the needs of the event planners. To promote our green policies and programs, we offer incentives to our customers. For instance, we stongly encourage our customers to recycle since all of the recycling hauls are free, while traditional trash hauls are not. Organizers are also urged to communicate the event's environmental policies on their websites so that vendors and delegates can reduce the amount of printed materials to attendees. Local and organic menus are offered, as are napkins made from recycled materials, use of bulk condiments, and an option to ban Styrofoam products. These details add up to considerable financial and environmental savings.

RECORD-SETTING DINNER LANDS THE CENTER IN THE 2008–2009 GUINNESS BOOK OF WORLD RECORDS

The Center was awarded with an unusual anniversary present in 2008 when we earned a place in the Guinness Book of World Records. In July, we hosted the largest sit-down banquet in history for 16,206 guests, smashing the Guinness Book's previous record. The dinner was organized for our customer, the Alpha Kappa Alpha Sorority ("AKA"), during their Centennial Boule Celebration and Annual Conference. The office of Mayor Adrian M. Fenty, along with local clergy and the Center's CEO/General Manager, participated in what was a very memorable evening.

Centerplate/NBSE, the Center's in-house caterer, used approximately 300,000 dining utensils, 3.5 miles of linen tablecloths, and seven miles of custom pink and green napkins, the official colors of AKA for the event. To accommodate the attendees and the Center's catering staff comfortably, three ballrooms and five exhibit halls were used for the banquet.

Ensuring the dinner ran smoothly required months of careful planning, preparation and mastering logistics. Centerplate/NBSE used 1,200 wait staff from companies

In July, we hosted the largest sit-down banquet in history for

16,206 guests,

smashing the Guinness Book's previous record.

throughout the East Coast, as well as 300 chefs, 46 managers, 65 captains, and 32 distribution assistants. Extra equipment was brought in from convention centers in New York, Denver and Dallas. And it is no wonder the extra help was needed: The dinner menu included three tons of beef filet, 2.25 tons of mashed potatoes, and 1,800 gallons of pink lemonade.

PRESIDENTIAL INAUGURAL BALLS

The Center was honored to host six official star-studded balls during the much-anticipated inauguration of President Barack Obama. Planning for the Obama Home States, Biden Home States, Mid-Atlantic, Midwest, Western, and first-ever Neighborhood Inaugural Balls began immediately after President Obama was elected and the Presidential Inaugural Committee (PIC) was formed in November 2008. The Center staff became increasingly busy during the two months leading up to the big night, as we worked closely with the PIC, the US Secret Service, a variety of federal and local officials, and Hargrove, the show decorator, to coordinate logistics. All of the approximately 200 Center employees, along with 1,000 vendors and contractors, were on hand to ensure a fabulous, unforgettable evening for everyone.

There were more than 42,000 revelers at the balls who celebrated as President Barack Obama and First Lady Michelle Obama visited all six balls at the Center. Vice President Joe Biden and Dr. Jill Biden greeted enthusiastic guests at the Biden Home States Ball. Performers at the various balls included Stevie Wonder, Beyonce, Mariah Carey, Shakira, Alicia Keyes, Marc Anthony, Maroon 5, Mary J. Blige, Jay-Z, Faith Hill and the Motown Revue. A-Listers lent some Hollywood glam to the events with stars like Oprah Winfrey, Leonardo DiCaprio, Queen Latifah, Denzel Washington, Tom and Rita Hanks, Ron Howard, Tyra Banks, and Jamie Foxx who celebrated the historic occasion.

This event showed the versatility of the building as the only facility in town that can play host to six Presidential Inagural balls.

Centerplate/NSBE spent 1,800 hours to prepare the menu for the balls. The fare included 8,750 pounds of tortellini, 8,250 pounds of Italian chicken roulade, 6,000 pounds of penne pasta, 850 gallons of tomato cream sauce, 1,000 pounds of carrot sticks, and 10,000 bottles of wine. The supplies and products required 21 tractor trailers for storage. A huge team, comprising 250 bartenders, 150 cashiers, 100 servers, 100 cooks, 150 stewards and porters, and 45 Centerplate managers, worked tirelessly to make certain that guests' needs were met.

This event showed the versatility of the building as the only facility in town that can play host to six Presidential Inaugural balls. We were featured on local, national and international media outlets and publications.

FUN FACTS

At the time, the excavation site of the new Convention Center was the largest in the western hemisphere, where more than two million tons of earth were moved. Over 38,000 tons of steel were used to create the superstructure — enough steel for seven Eiffel Towers.

Dirt tracks and ramps are brought into the Center every year so that attendees can test-drive production model Jeeps during the "Jeep Challenge" at the Auto Show.

The Center hosted the American Idol Auditions in 2004 and Oprah Winfrey's "Live Your Best Life Tour" in 2005.

In 2008, the Center hosted its first wedding and bat mitzvah.

In five short years, the Center was named Best New Convention Center by Meetings East Magazine, was recognized as Outstanding Civil Engineering Project by the Association of Civic Engineers, and received both the Urban Land Institute Award of Excellence and the American Institute of Architects National Honor Award for Architecture.

FUTURE

We are constantly striving for ways to improve our facilities in order to better serve clients and attendees. Over the next five years, we will focus on several key initiatives that will enhance our building.

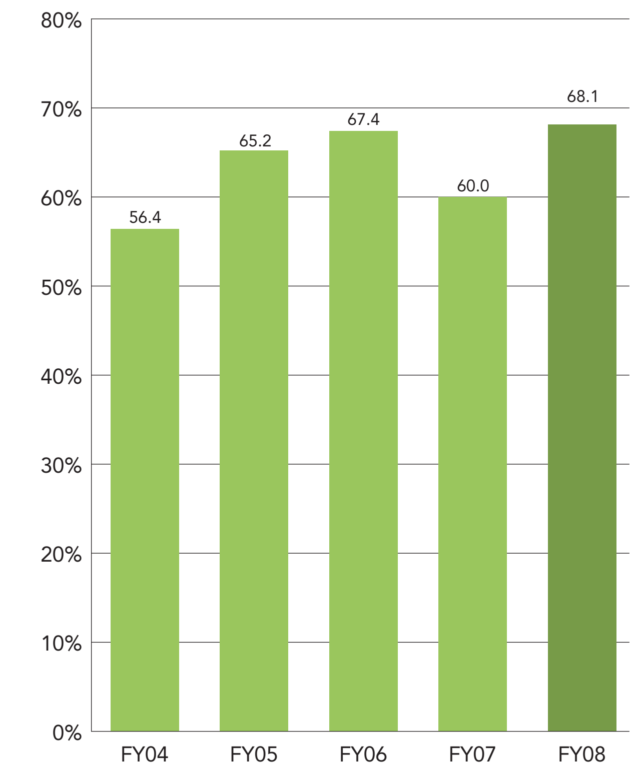
First and foremost is construction of a new Headquarters Hotel. Our Retrofit project will increase meeting space and improve signage both inside and outside the building, and a robust international sales effort is expected to increase exposure and business opportunities.

THE NEW WASHINGTON, DC MARRIOTT MARQUIS HEADQUARTERS HOTEL

In early 2002 and while the Center was still under construction, a future needs analysis found that a lack of hotels within walking distance of the Center was a significant impediment to the future success of the facility. It recommended the construction of a headquarters hotel within close proximity to the Center as advantageous for hotel guests and as an amenity that would allow the Center to operate at higher occupancy levels over long periods of time.

The new Marriott Marquis hotel will be one of only 3 four-star Marriott Marquis properties in the country and the second largest hotel in the city.

TOTAL ANNUAL OCCUPANCY, FY 04–08



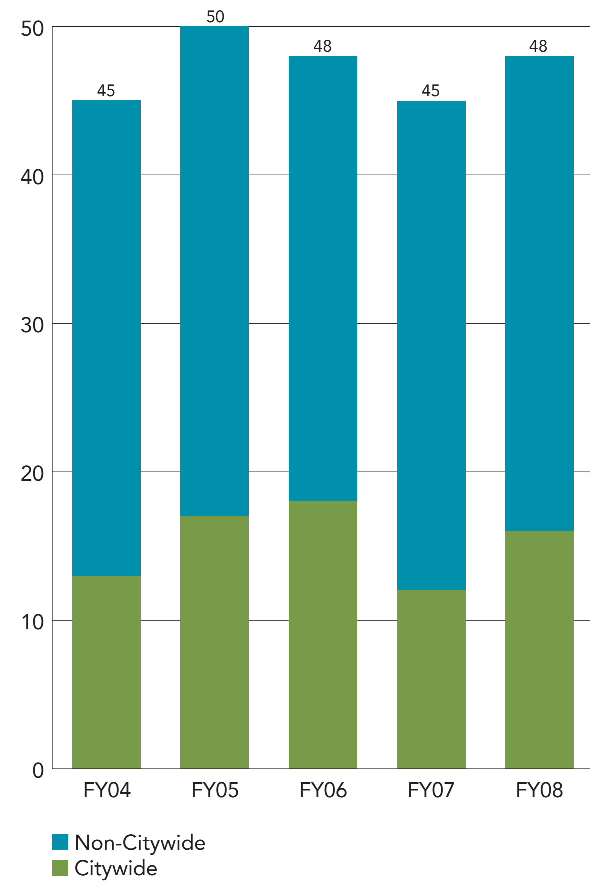
Marriott International was selected to spearhead the new convention center headquarters hotel and will operate a new Marriott Marquis hotel at the intersection of Massachusetts Avenue and 9th Street. The hotel will be one of only 3 four-star Marriott Marquis properties in the country and the second largest hotel in the city. The developer will be Quadrangle Development, an established Washington, DC based firm with a successful history in hotel development.

Currently, the new Marquis' proposed design consists of nearly 765,000 square feet of gross floor area, 1,167 hotel rooms, and approximately 400 underground valet parking spaces. The Marquis will incorporate the landmark American Federation of Labor building as an integrated "boutique hotel," connected to the main hotel at selected levels yet retaining its physical independence. Hotel guests will be able to reach the Convention Center using either street-level access or through use of a light and spacious underground connector that joins the Center at its lower exhibit hall level. The hotel will have an atrium roof that provides light and openness throughout its interior. It is also expected to feature a full-service health club, pool, and six retail spaces including restaurants, gift and coffee shops at street level that will be accessible to both hotel guests and neighborhood residents.

Groundbreaking is expected to occur during the summer of 2009, and it is anticipated that the hotel will open its doors to guests during the fourth quarter of 2012. This project will be the centerpiece for continued economic revitalization of the historic Shaw neighborhood and will have an immediate economic impact on the District upon its completion.

The retrofit project will create an additional **40,000 square feet** of meeting space.

CITYWIDE AND NON-CITYWIDE CONVENTIONS AND TRADESHOWS, FY 04–08



GROWING AND CHANGING: THE RETROFIT AND SIGNAGE PROJECTS

Another initiative to be completed within the next year is a retrofit project which will increase the Convention Center's product offering by creating highly flexible space that can be used for meetings, exhibits or banquets, just steps off the Grand Lobby and main entrance.

The retrofit project will create an additional 40,000 square feet of meeting space and will include the relocation and conversion of staff offices into meeting space and the installation of state-of-the-art Skyfold walls in East and West Registration as well as Hall C. Columbia/Forrester, a joint venture of two well-respected design/build companies, will begin construction on the project during the summer of 2009.

As another part of our strategy to enhance the customer experience at the Center, we have developed plans to improve the current signage for the interior and exterior of the Center. Our goal is to, through the use of new technology, provide improved signage that will help visitors better relate to our facility and move more easily through our building. In 2008, we awarded a contract to a leading graphic design firm that specializes in providing comprehensive signing, wayfinding and graphics programs for a variety of facilities, including medical centers, retail malls, hotels, and convention centers. The contractor will re-design, upgrade, and re-brand the Center's signage and incorporate cutting edge wayfinding to help attendees navigate the building. We anticipate completion of the design, fabrication and installation for the signage program in fiscal year 2010.

Improved signage will help visitors better relate to and move more easily through our facility.

LOOKING ABROAD: INTERNATIONAL SALES

During the past 18 months, we have been exploring opportunities to expand sales efforts to the international convention, meeting and tradeshow market. The purpose of this initiative is to garner new clients for the Center and generate greater economic benefit for the District of Columbia.

To attract potential business and position ourselves as a preferred destination for the international market, we are actively engaging in a multi-pronged effort to become a known entity on the international scene. Partnered with Destination DC, we have entered into key consulting agreements to develop our international sales program while we simultaneously begin to qualify leads for potential business in Washington, DC.

Additionally, as part of our partnership with Destination DC, we have joined several organizations and participated in several industry-related events to gain critical exposure in the international market. We joined AIPC, the international convention centre congress, which accredited the Center as an international center, and ICCA, the International Congress and Convention Association, the premier international organization for the meetings industry. Representatives from the Center and Destination DC have attended several international conferences in the past two years to raise our profile on the global scene, and last year we participated in the European Incentive Business Travel Market, a tradeshow that exposed the Center to a broad base of decision makers in the international corporate market.

A LETTER FROM THE CHAIR

When I walked through the doors of the Walter E. Washington Convention Center on the historic night of January 20, observing attendees of the six presidential inaugural balls, I had to reflect on how far we have come since opening in 2003. We owe much of our success today to the devoted group of community and industry stakeholders who worked tirelessly for nearly a decade to make the Convention Center project a reality. Thanks to their dedication and the hard work of our employees and service partners, our Convention Center has become *the* place to be in the nation's capital for celebrations, galas, meetings and conventions.

If the Convention Center is to deliver the maximum economic impact for our city and its residents, there is still work to be done, and our vision for the next five years and beyond is clear. We will continue to maintain and enhance our beautiful facility to meet the needs of our customers. We will tap into new markets, including international meetings and conventions, to expand our customer base and economic impact for the city. We will build and open our world-class headquarters hotel, the Washington, DC Marriott Marquis.

For all the effort we have put forth to reach the five-year milestone, we celebrate with this annual report... and the best is yet to come. The Washington Convention Center Authority's Board of Directors is committed to supporting our employees, our managers and executives as we build an even brighter future for our Center.

Beverly L. Perry
Chairman, Board of Directors

BOARD OF DIRECTORS






pictured opposite

Beverly L. Perry
Senior Vice President, Government Affairs and Public Policy
Pepco Holdings, Inc.
Chairman, Board of Directors
Member, Development Committee
Member, Finance Committee
Member, Operations Committee

pictured above, left to right from top:

Mitchell Schear
President
Vornado/Charles E. Smith
Vice Chairman, Board of Directors
Member, Development Committee

Mark Michael
Co-Founder and CEO
Occasions Caterers
Member, Operations Committee
Member, Sales and Marketing Subcommittee

Max Brown
Partner, 360JMG
Treasurer, Board of Directors
Chairman, Sales and Marketing Subcommittee
Member, Finance Committee
Member, Operations Committee

Joslyn N. Williams
President
Metropolitan Washington Council/ AFL-CIO
Secretary, Board of Directors
Member, Operations Committee
Member, Development Committee

Jay Haddock Ortiz
President
Capital Hotels
Member, Operations Committee
Member, Sales and Marketing Subcommittee

James Abdo
President & CEO
Abdo Development
Chairman, Development Committee

Dr. Natwar Gandhi*
Chief Financial Officer
Government of the District of Columbia
Chairman, Finance Committee

Neil Albert*
Deputy Mayor for Planning and Economic Development
Government of the District of Columbia

* denotes ex-officio members

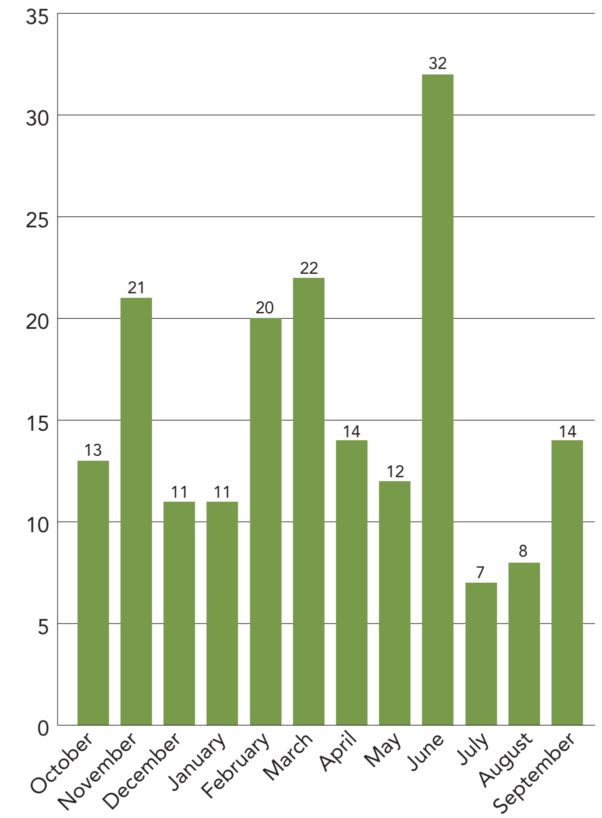
A LETTER FROM THE CEO

Fiscal 2008 has been a banner year for the Washington Convention Center Authority. We not only set a Guinness World Record for the largest sit-down dinner in history, but we also had our first significant increase in revenue since opening the building in 2003.

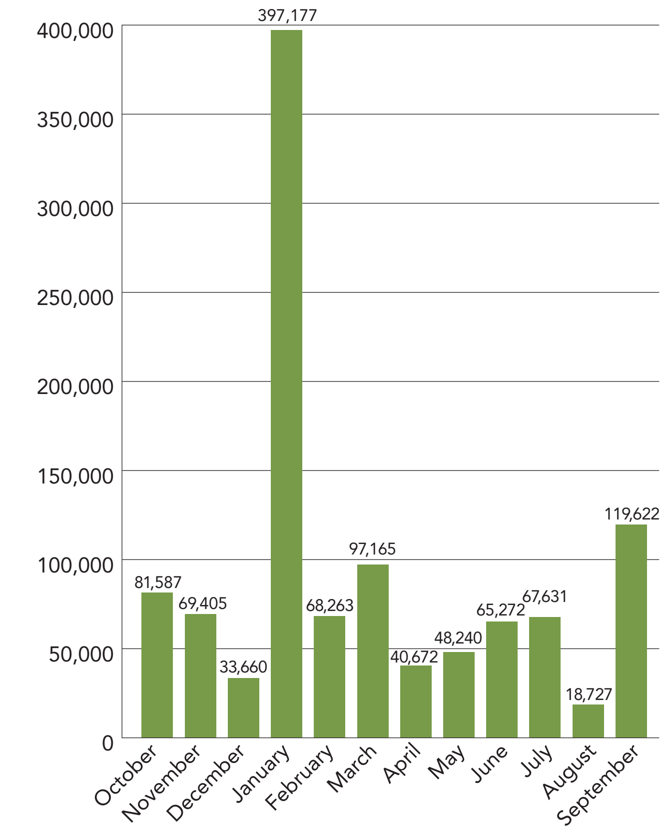
During any given year, our financial performance is but one measure of success. We also have to lay down the framework for future accomplishments while delivering a level of service worthy of the nation's capital. With that in mind, 2008 was indeed a year of achievement.

We opened our doors to meeting attendees from around the globe, welcomed the major players during the 2008 Presidential Election, and played host to citizens from across our nation who had important messages to deliver to Congress. Alongside our customers, we celebrated centennials, observed the political process and honored scientific achievements.

TOTAL EVENTS, FY08



TOTAL ATTENDANCE, FY08



The Convention Center generated an estimated $1.6 billion in spending and created over 17,000 jobs between 2005 and 2008.

Equally important, we engaged our marketing partners in new ways designed to leverage their talents to generate an even greater economic impact for the District of Columbia. We also made significant progress toward closing the deal to build a new headquarters hotel, a project that will increase our competitiveness while delivering financial benefits to the city and its residents.

To keep our momentum, I am working closely with our executive team to transform the Authority into a performance-based organization. We have already realigned our management structure to place a greater focus on our core operations, while carefully scrutinizing expenses to ensure we remain fiscally fit throughout this environment of economic uncertainty.

We give thanks to those who came before us — it has been an impressive five years. In fact, an economic impact study was conducted, demonstrating the Convention Center generated an estimated $1.6 billion in spending and created more than 17,000 jobs between the years of 2005 and 2008.

While the next couple of years are expected to be challenging for our industry, we are excited about the course we have set and truly believe that our best years lie ahead of us.

Gregory A. O'Dell
CEO and General Manager

Washington Convention Center Authority
A Component Unit of the District of Columbia Government

FINANCIAL STATEMENTS

And Management's Discussion and Analysis (with Independent Auditors' Report Thereon)
September 30, 2008 and 2007

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of the Council
of the Government of the District of Columbia
and Board of Directors
Washington Convention Center Authority
Washington, DC

We have audited the accompanying basic financial statements of the Washington Convention Center Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2008 and 2007, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 26 through 33 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The schedule of net assets by fund and schedule of revenues, expenses and changes in net assets by fund on pages 47 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Washington, DC
January 23, 2009

As management of the Washington Convention Center Authority (Authority), we present Management's Discussion and Analysis (MD&A) of the Authority's financial condition and the results of operations for the years ended September 30, 2008, 2007 and 2006. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

Fiscal Year 2008 Financial Highlights

- Net assets increased by $18.9 million from last year, an increase of 6%, largely attributable to increased dedicated tax transfers and fiscal year 2008 operations.
- Operating expenses slightly increased by $0.4 million or 1% from fiscal year 2007, primarily due to increases in personnel services.
- Operating revenue increased by $1.8 million or 11% from fiscal year 2007, resulting in total operating revenue of $18.5 million in FY08.
- Assets exceed liabilities by $334 million at the close of the fiscal year 2008, a 6% increase over fiscal year 2007.
- The statement of cash flows indicates an increase in cash for the year by $0.1 million.
- The Authority's bonds are rated "A2" by Moody's and "A" by both Standard & Poor's Corporation and Fitch Rating Services.

(1) OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial report includes: Management's Discussion and Analysis; the Financial Statements; and notes to the Financial Statements.

- The Financial Statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units on an accrual basis. Under this basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the statement of revenues, expenses, and changes in net assets. The basic Financial Statements include Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows. This report also includes notes accompanying the statements to fully explain the activities detailed in them.
- The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets report both the operating and non-operating revenues and expenses and other changes in net assets for the end of a fiscal year.
- The Statements of Cash Flows present information showing how the Authority's cash and cash-equivalents positions changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities, non capital financing activities and investing activities.

MANAGEMENT'S DISCUSSION & ANALYSIS
Years ended September 30, 2008 and 2007

(2) FINANCIAL ANALYSIS

The Authority's audited Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows are presented on pages 34 through 36.

The following table reflects a summary of the Authority's net assets at September 30, 2008, 2007 and 2006 (in thousands):

Table 1
Condensed Statements of Net Assets (in thousands)

	2008	2007	2006	Percentage change 2008–2007	Percentage change 2007–2006
Current assets	$ 88,463	$ 66,344	$ 59,372	33%	12%
Capital assets, net of accumulated depreciations	693,175	719,034	741,798	-4%	-3%
Other non-current assets	73,671	62,533	70,653	18%	-11%
Total Assets	$855,309	$847,911	$871,823	1%	-3%
Current liabilities	$33,543	$28,979	$65,716	16%	-56%
Noncurrent liabilities	487,545	503,611	502,146	-3%	0%
Total Liabilities	$521,088	$532,590	$567,862	-2%	-6%
Net assets:					
Investment in capital assets, net of related debt	$191,684	$213,319	$212,542	-10%	0%
Restricted	67,330	58,696	62,820	15%	-7%
Unrestricted	75,207	43,306	28,599	74%	51%
Total Net Assets	$334,221	$315,321	$303,961	6%	4%

The total net assets of the Authority increased by $18.9 million or 6%, and $11 million or 4%, for the years ended September 30, 2008 and 2007, respectively. In both years, the increase is primarily attributable to an increase in tax transfers and result of fiscal year operations. As of September 30, 2008, the Authority had total net assets amounting to approximately $334 million, with the largest portion of the Authority's net assets, $192 million or 57%, reflecting its investment in capital assets less any related debt used to acquire those assets. The Authority uses its capital assets to fulfill its mission of promoting conventions and tourism in the District of Columbia. The resources to repay the debt are derived from dedicated tax collections which are composed of 4.5% sales and use tax on hotel room charges, 1% sales and use tax on restaurants and 1% rental vehicle charges in the District of Columbia. Of the Authority's remaining net assets, $67 million or 20% represents resources that are subject to external restrictions (primarily related to the Authority's bond indenture reserve requirement) on how they may be used, while the remaining balances of $75 million or 23% is unrestricted.

Table 2
Revenues, Expenses and Changes in Net Assets (in thousands)

	2008	2007	2006	Percentage change 2008–2007	Percentage change 2007–2006
Operating Revenues:					
Building rental	$ 9,157	$ 8,143	$ 7,971	12%	2%
Ancillary charges	9,303	8,525	8,142	9%	5%
Total Operating Revenues	18,460	16,668	16,113	11%	3%
Operating Expenses:					
Personal services	15,256	14,279	11,959	7%	19%
Contractual services	12,067	12,460	12,053	-3%	3%
Depreciation	27,700	28,088	27,999	-1%	0%
Occupancy	5,838	6,052	5,406	-4%	12%
Supplies	615	530	552	16%	-4%
Miscellaneous	682	468	573	46%	-18%
Bad debt	254	112	54	127%	107%
Total Operating Expenses	62,412	61,989	58,596	1%	6%
Operating loss	(43,952)	(45,321)	(42,483)	-3%	7%
Non-operating Revenues and (Expenses):					
Interest income	3,439	4,999	3,519	-31%	42%
Dedicated taxes	91,494	83,312	79,707	10%	5%
Parking lot revenue (old center site)	2,709	2,236	1,416	21%	58%
Miscellaneous	1,293	1,986	10,000	-35%	-80%
Bond interest and amortization issue costs	(25,074)	(25,532)	(26,095)	-2%	-2%
Marketing agencies payments	(9,994)	(9,120)	(9,476)	10%	-4%
Parking lot expenses	(1,015)	(1,200)	(6,516)	-15%	-82%
Total Non-operating Revenues and (Expenses)	62,852	56,681	52,555	11%	8%
Increase in net assets	18,900	11,360	10,072	66%	13%
Net assets, beginning of year	315,321	303,961	293,889	4%	3%
Net assets, end of year	$334,221	$315,321	$303,961	6%	4%

MANAGEMENT'S DISCUSSION & ANALYSIS
Years ended September 30, 2008 and 2007

ANALYSIS OF CHANGES IN NET ASSETS

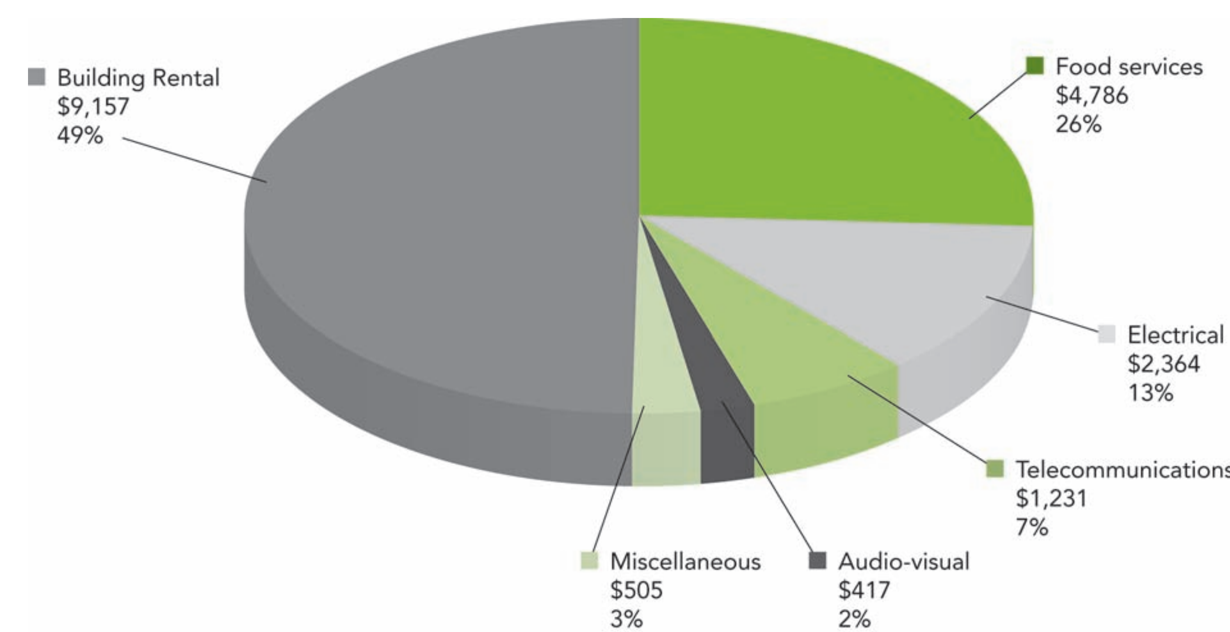
Revenues

For the fiscal years ended September 30, 2008, 2007 and 2006 the Authority's operating revenues were $18.5 million, $16.7 million and $16.1 million, respectively.

The Authority hosted 35 more events in 2008 versus 2007, resulting in a 12% increase in building rental revenue. This contributed to the increase in ancillary revenues such as food service, telecommunication, audio-visual and electrical services charges. Miscellaneous income sources include trash hauling charges, special meeting room setup charges, equipment rental, and fees earned from ATMs installed inside the Convention Center. In fiscal year 2007, the Authority hosted 49 more events compared with fiscal year 2006, resulting in a 2% and 5% increase in building rental and ancillary charges revenue, respectively.

The following is a graphic illustration of revenue by source.

FY2008 Operating Revenues (in thousands)



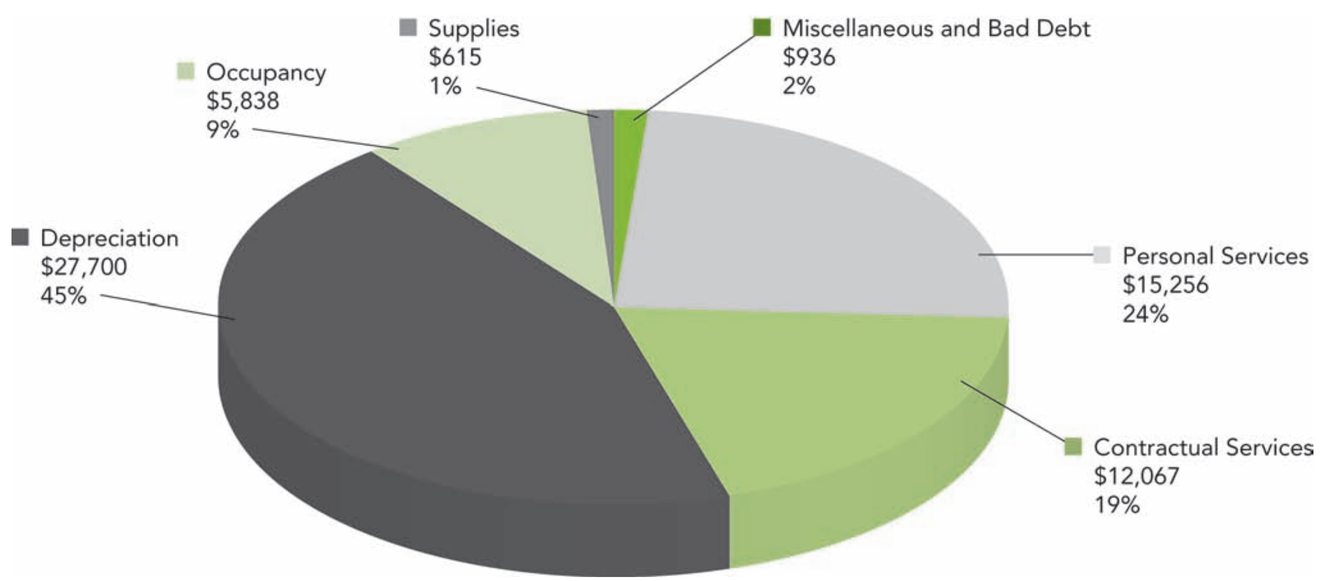
During 2008, non-operating revenues of $98.9 million were $6.4 million higher than in 2007, principally because of increased dedicated taxes transfers and parking lot revenue, respectively. Non-operating revenues decreased by 2% from 2006 to 2007. This occurred because even though revenue from dedicated tax and interest income increased by $5 million in 2007, that increase was not sufficient to offset the transfer of $10 million the Authority received in 2006 from the District of Columbia to pay down the note related to the construction of the parking lots.

Expenses

For fiscal years 2008, 2007 and 2006, the Authority's total operating expenses were $62.4 million, $61.9 million and $58.6 million, respectively. Total operating expenses increased by $0.4 million or 1% from fiscal year 2007, primarily due to an increase in personnel services as a result of a cost of living adjustment to the Authority's employees. In fiscal year 2007, operating expenses increased by $3 million or 6% compared with 2006 due to hiring of more staff reducing reliance on contractor services to accommodate traffic coordination related to event activities. In addition, the increase was also due to an increase in electricity prices as result of deregulation of the electricity supply.

The following is a graphic illustration of operating expenses.

FY2008 Operating Expenses (in thousands)



Salaries increased by 1 million or 7%, reflecting a cost of living adjustment to the Authority's employees in fiscal year 2008 and overtime paid related to the increased event activities. Contractual services such as housekeeping, building insurance and security accounted for $12 million in fiscal year 2008, a decrease of $.4 million or 3% compared to 2007. The decrease was due to more effective management and oversight of the new security contract, and more aggressive marketing by WCCA and its insurance brokers, coupled with an excellent insurance claim history to reduce the security and insurance costs respectively. Occupancy expense, which includes all utility bills such as electricity, telecommunication, water, sewer and natural gas expense accounted for $5.8 million, a decrease of 4% compared to 2007. The Authority adopted an energy conservation policy that contributed to reducing electricity expenses. Depreciation expense, primarily for the building, amounted to $27 million, a decrease of $.4 million or 1% in fiscal year 2007.

The Authority's non-operating expenses consisted of $25 million in bond interest payment and amortized issuance costs, $1 million in parking lot expenses and $10 million in marketing agencies payments. As with non-operating revenue, the increased transfer of dedicated tax revenue served as the principal cause of the 1% increase in non-operating expenditure, particularly due to an increase in marketing expenses which are primarily formula driven based on dedicated tax collections. The Act of 1994 (as amended in 1998) requires the Authority to transfer 17.4% of the hotel taxes received to the marketing fund for the purpose of promoting conventions and tourism in the District of Columbia.

The 21% increase in parking lot revenues in fiscal year 2008 as compared to 2007 was due to the increased event activities in fiscal year 2008. The 15% decreases in parking lot expenses were attributed to a reduction of the parking lot construction costs.

MANAGEMENT'S DISCUSSION & ANALYSIS
Years ended September 30, 2008 and 2007

(3) CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority has invested $693 million in capital assets (net of depreciation). Approximately 90% of this investment is related to the cost of the convention center building. The Authority's capital assets have increased by $1.8 million in fiscal year 2008 and by $5 million in fiscal year 2007 due to an increase in construction in progress related to the pre-hotel development cost and building improvements.

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation at September 30, 2008, 2007 and 2006. The changes are presented in detail in Note 4 to the financial statements.

Table 3
Capital Assets (Net of Depreciation) (in thousands)

	2008	2007	2006	Percentage change 2008–2007	Percentage change 2007–2006
Non-depreciable					
Land	$ 4,785	$ 4,785	$ 4,785	0%	0%
Construction in progress	2,389	1,765	1,217	35%	45%
Plumber's building	33,425	33,425	30,517	0%	10%
Artwork	2,742	2,742	2,725	0%	1%
Total non-depreciable capital assets	43,341	42,717	39,244	1%	9%
Depreciable					
Building	769,452	769,452	769,452	0%	0%
Building improvements	5,888	5,046	4,247	17%	19%
Central plant	16,265	16,219	16,172	0%	0%
Financial Systems	1,414	1,411	1,411	0%	0%
Furniture and Fixtures	9,430	9,314	9,148	1%	2%
Machinery and equipment	6,848	6,638	5,799	3%	14%
Total depreciable capital assets	809,297	808,080	806,229	0.2%	0.2%
Less accumulated depreciation	159,463	131,763	103,675	21%	27%
Net capital assets	$693,175	$719,034	$741,798	-4%	-3%

Debt Administration

The Authority had $501 million and $512 million in debt outstanding, a decrease of $11 million or 2% and $33 million or 6% at the end of fiscal year September 30, 2008 and 2007, respectively. In both years, the decrease is primarily due to repayment of a $30.5 million note payable entered on August 10, 2006 to acquire property as part of the land assemblage for the convention center hotel. Repayments of $22 million and $8.5 million were made during fiscal year 2007 and 2008, respectively. In 2007, the outstanding debt also decreased as a result of repayment of $10 million related to notes payable entered on July 1, 2004 for demolition and construction of the parking lots.

The debt position of the Authority is summarized below and is more fully analyzed in the financial statements (see Note 8 for more information on long-term debt).

Table 4
Long-Term Debt Outstanding (in thousands)

				Percentage change	
	2008	2007	2006	2008–2007	2007–2006
Bonds Payable	$489,102	$488,772	$487,228	0%	0%
Notes Payable	2,300	12,745	46,329	-82%	-72%
Financing Arrangements	10,089	10,809	11,528	-7%	-6%
Total debt outstanding	501,491	512,326	545,085	-2%	-6%
Current portion of debt outstanding	14,709	9,509	42,939	55%	-78%
Debt outstanding less current portion	$486,782	$502,817	$502,146	-3%	0%

In addition to the above long-term outstanding debt, the Authority has long-term liabilities related to compensated absences of $0.8 million.

The Authority's bonds are rated "A2" by Moody's and "A" by both Standard & Poor's Corporation and Fitch Rating Services.

(4) FACTORS IMPACTING FUTURE PERIODS

On June 6, 2006, the Council passed the *New Convention Center Hotel Omnibus Financing and Development Act*, D.C. Law 16-163 ("Hotel Act"), which, among other things, created a tax increment financing ("TIF") area (the "Hotel TIF District"). The Hotel TIF District is expected to generate TIF revenues (the Hotel TIF Revenues) that will be used primarily to secure approximately $187 million aggregate principal amount of additional bonds, the proceeds of which will be used to finance the costs of funding the Authority's $134 million contribution for the design and development of a privately owned and operated headquarters hotel (the "Headquarters Hotel") for the Convention Center, $2 million for a jobs training program associated with the Headquarter Hotel, together with related reserves, capitalized interest and costs of issuance (collectively, the "Headquarters Hotel Bonds").

MANAGEMENT'S DISCUSSION & ANALYSIS
Years ended September 30, 2008 and 2007

In 2007, the scope of the Headquarters Hotel project was revised to eliminate the proposed expansion of the Convention Center and to provide for the development of the Headquarters Hotel solely on Square 370. As a result, on February 5, 2008, the Council passed the *New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2008*, D.C. Law 17-144, to, among other things, eliminate the references in the Hotel Act to expansion of the Convention Center and development in Square 369. Subsequently, the Council passed a number of amendments to the Hotel Act in the form of emergency legislation that were designed to address issues that had been identified during the negotiation of the transaction agreements for the Headquarters Hotel and provide the necessary statutory authority for the Authority and the District to execute the transaction agreements. All of these amendments were incorporated into the *New Convention Center Hotel Technical Amendments Act of 2008* (D.C. Bill 17-774) which the Council passed on December 16, 2008.

All of the transaction agreements relating to the Headquarters Hotel project have been negotiated between the parties including, but not limited to, the Hotel Development and Funding Agreement, the Ground Lease, the Pedestrian Connector Agreement, the Hotel Loading Dock Access Agreement, the Airspace Lease Agreement, the Declaration of Covenants, Conditions and Restrictions and the Lessor — Hotel Manager Agreement. The intent of the parties is that the Hotel Development and Funding Agreement will be executed in early 2009.

(5) BUDGETARY CONTROLS

The Authority adopts an operating and capital budget, which are approved by its Board of Directors in February of each year for the subsequent fiscal year. The budget is reviewed and adjusted if necessary by the Board prior to the start of each new fiscal year. The budgets are loaded into the Authority's financial management system, which prevents overspending without appropriate approvals. The Financial Management Division prepares monthly reports for the Board of Directors and its Finance Committee. The reports are reviewed and acted upon each month to ensure the Authority complies with its authorized budget levels.

After approval by the Board of Directors, the Authority is required to submit its annual operating and capital budgets to the Mayor and Council of the District of Columbia to be included in the District's budgets that are sent to the United States Congress for approval.

(6) REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Mr. Henry W. Mosley, Chief Financial Officer, Washington Convention Center Authority, 801 Mount Vernon Place, NW, Washington, D.C. 20001.

STATEMENTS OF NET ASSETS (IN THOUSANDS)

September 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Cash and Cash Equivalents	**$ 2,927**	$ 2,819
Investments	**76,579**	55,304
Due from District of Columbia	**7,606**	7,184
Accounts Receivable, Net of Allowance for Uncollectible Accounts	**1,199**	1,028
Prepaid Expenses and Other Assets	**29**	9
Accrued Interest Receivable	**123**	—
Total current assets	**88,463**	66,344
Noncurrent Assets		
Non-Depreciable Capital Assets	**43,341**	42,717
Depreciable Capital Assets, Net of Accumulated Depreciation	**649,834**	676,317
Unamortized Bond Issue Costs	**6,340**	6,563
Restricted Investments	**67,331**	55,970
Total Noncurrent Assets	**766,846**	781,567
Total Assets	**$855,309**	$847,911
LIABILITIES		
Current Liabilities		
Accounts Payable	**$ 3,834**	$ 2,863
Compensation Liabilities	**298**	309
Deferred Revenue	**3,088**	4,684
Accrued Interest Payable	**11,614**	11,614
Other Financing Arrangement Payable, current portion	**719**	719
Bond Issuance Cost Payable	**—**	44
Notes Payable, Current Portion	**2,300**	8,746
Bonds Payable, Current Portion	**11,690**	—
Total Current Liabilities	**33,543**	28,979
Noncurrent Liabilities		
Compensated Absences	**763**	794
Long-term Notes Payable	**—**	3,999
Long-term Bonds Payable including Premium	**477,412**	488,728
Long-term Other Financing Arrangement Payable	**9,370**	10,090
Total Noncurrent Liabilities	**487,545**	503,611
Total Liabilities	**521,088**	532,590
NET ASSETS		
Restricted Net Assets		
Invested in Capital Assets, Net of Related Debt	**191,684**	213,319
Debt Services and Capitalized Interest	**22,733**	13,768
Capital Renewal	**17,000**	17,000
Operating Fund	**23,000**	23,000
Marketing Fund	**2,904**	2,153
Senior Proceeds Account	**2**	2
Bond Issuance	**48**	47
Capitalized Bond Interest	**1,643**	2,726
Unrestricted Net Assets	**75,207**	43,306
Total Net Assets	**$334,221**	$315,321

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (IN THOUSANDS)

Years ended September 30, 2008 and 2007

	2008	2007
Operating Revenue and Expenses		
Operating Revenues		
Building Rental	**$ 9,157**	$ 8,143
Food Services	**4,786**	4,309
Electrical	**2,364**	2,245
Telecommunications	**1,231**	1,150
Audio-Visual	**417**	305
Miscellaneous	**505**	516
Total Operating Revenues	**18,460**	16,668
Operating Expenses		
Personal Services	**15,256**	14,279
Contractual Services	**12,067**	12,460
Depreciation	**27,700**	28,088
Occupancy	**5,838**	6,052
Supplies	**615**	530
Miscellaneous	**682**	468
Bad Debt	**254**	112
Total Operating Expenses	**62,412**	61,989
Operating Loss	**(43,952)**	(45,321)
Nonoperating Revenues and (Expenses)		
Interest Income	**3,439**	4,999
Dedicated Taxes	**91,494**	83,312
Parking Lot Revenue	**2,709**	2,236
Interest Expense	**(24,850)**	(25,383)
Amortization of Bond Issuance Costs	**(224)**	(149)
Transfer to Tourism Responsibility Centers	**(9,994)**	(9,120)
Parking Lot Expenses	**(1,015)**	(1,200)
Prior Year Cost Recovery	**130**	629
Rental Income-Plumbers Building	**1,163**	1,357
Total Nonoperating Revenues and (Expenses)	**62,852**	56,681
Increase in Net Assets	**18,900**	11,360
Net Assets, Beginning of Year	**315,321**	303,961
Net Assets, End of Year	**$334,221**	$315,321

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (IN THOUSANDS)

Years ended September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Receipts from customers	**$ 17,590**	$ 16,938
Payments to suppliers	**(18,295)**	(22,826)
Payments to employees	**(15,299)**	(14,016)
Net cash used in operating activities	**(16,004)**	(19,904)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	**(1,840)**	(2,415)
Payments on notes payable	**(10,445)**	(33,584)
Other financing arrangement payment	**(720)**	(719)
Bond proceeds	**—**	492,525
Bond premium	**—**	15,278
Bonds payable payment	**—**	(498,471)
Interest payments	**(24,477)**	(25,995)
Bond issuance costs	**—**	(6,668)
Net cash used in capital and related financing activities	**(37,482)**	(60,049)
Cash flows from noncapital financing activities:		
Dedicated tax receipts	**91,072**	82,961
Transfers to tourism responsibility centers	**(9,858)**	(9,473)
Parking lot receipts	**2,722**	2,222
Parking lot expenses	**(979)**	(1,296)
WCTC reimbursement	**—**	224
Other payments	**(43)**	—
Net cash provided by noncapital financing activities	**82,914**	74,638
Cash flows from investing activities:		
Sales of investments	**186,523**	138,423
Purchases of investments	**(219,159)**	(150,473)
Receipts of interest and dividends	**3,316**	5,335
Net cash used in investing activities	**(29,320)**	(6,715)
Net increase (decrease) in cash and cash equivalents	**108**	(12,030)
Cash and cash equivalents, beginning of year	**2,819**	14,849
Cash and cash equivalents, end of year	**$ 2,927**	$ 2,819
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating Loss	**$ (43,952)**	$ (45,321)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation	**27,700**	28,088
Bad debt expense	**254**	112
Increase in receivables	**(437)**	(190)
(Increase) Decrease in prepaid expenses and other assets	**(20)**	3
Increase (Decrease) in accounts payable	**927**	(3,320)
(Decrease) Increase in compensation liabilities	**(43)**	263
(Decrease) Increase in deferred revenue	**(433)**	461
Net Cash Used in Operating Activities	**$ (16,004)**	$ (19,904)
Non-cash investing, capital and financing activities		
Additions to capital assets as a result of deferred rent	**$ —**	$ 2,908
Deferral, bond refunding	**$ 18,180**	$ 19,074
Discount on defeased bond	**$ —**	$ 5,131

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

September 30, 2008 and 2007

NOTE 1: REPORTING ENTITY

The Washington Convention Center Authority (the Authority or WCCA), a corporate body and an independent authority of the District of Columbia government was created pursuant to the "Washington Convention Center Authority Act of 1994," D.C. Law 10-188 (the WCCA Act), effective September 28, 1994.

The Authority was established for the purpose of acquiring, constructing, equipping, maintaining, and operating a new convention center in the District of Columbia. The Authority engages in activities deemed appropriate to promote trade shows, conventions, and other events closely related to activities of the new convention center.

The Authority is governed by a nine-member board of directors (the Board). Two members serve as ex-officio voting members of the Board. One of the ex-officio members must be the chief financial officer of the District of Columbia and the mayor designates the other. The remaining seven public members are appointed by the mayor with the consent of the Council of the District of Columbia (the Council). The terms of the public members are four years. No board member is permitted to serve more than two consecutive four-year terms. The mayor appoints one public member as chairperson with the advice and consent of the Council.

The Authority receives its funding by generating operating revenue, collecting dedicated taxes, and earning interest income on invested funds. The dedicated taxes were established pursuant to the WCCA Act. Effective October 1, 1998, the dedicated taxes consist of a separate sales and use tax of 4.45% (of the District's 14.5%) on hotel room charges and a sales and use tax of 1.0% (of the District's 10.0%) on restaurant meals, alcoholic beverages consumed on premises, and rental vehicle charges. The dedicated taxes are collected on behalf of the WCCA in accordance with the September 1998 Lockbox and Collection Agreements executed by the Authority, the District and a financial institution.

The Authority is a component unit of the District of Columbia, due to the fact that the District of Columbia Government is financially accountable for this unit.

NOTE 2: SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to U.S. generally accepted accounting principles (GAAP) as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

BASIS OF ACCOUNTING

The Authority's basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The measurement focus is on the flow of economic resources. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statements of Net Assets.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements. The Authority has elected to apply only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

For the purposes of financial reporting, the Authority is considered to be a single enterprise fund. However, for accounting purposes, and to ensure observation of limitations and restrictions placed on the use of the resources available to the Authority, accounts are maintained in accordance with the principles of fund accounting.

The Authority accounts for its activities in five separate funds: the Operating Fund, the Building Fund, the Marketing Fund, Capital Fund, and the Demolition Fund. The following activities are reported in each fund.

a. Operating Fund — The operating fund accounts for the transactions related to the operation of the convention center.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

b. Building Fund — The building fund accounts for the transactions related to the new hotel and expansion projects.

c. Marketing Fund — The marketing fund accounts for the transactions related to the marketing fund for the purpose of promoting conventions and tourism in the District of Columbia.

d. Capital Fund — The capital fund accounts for the transactions related to the improvement of the convention center.

e. Demolition Fund — The demolition fund accounts for the transactions related to the demolition of the old convention center, construction of a parking lot, and management of parking operations.

CURRENT AND NONCURRENT

Current assets are used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business usually one year or less, without interfering with normal business operations. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.

CASH AND CASH EQUIVALENTS

The Authority considers all highly liquid instruments purchased with an original maturity of less than 90 days to be cash equivalents.

RECEIVABLES

Receivables relate to transactions involving building rental, electrical, telecommunications, audio-visual and miscellaneous revenue.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Authority establishes an allowance for doubtful accounts for all account receivables over 180 days old. At September 30, 2008 and 2007, accounts receivable were shown net of allowance for doubtful accounts of $0.53 million and $0.11 million, respectively.

INVESTMENTS

Investments in money markets and repurchase agreements are recorded at market value which approximates fair value. Treasury obligations and commercial paper are recorded at amortized cost which approximates fair value.

CAPITAL ASSETS AND DEPRECIATION

Capital assets are carried at cost at the date of acquisition less accumulated depreciation. The Authority capitalized assets with an original cost of $5 thousand or greater. Donated capital assets are recorded at fair market value at the date donated. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Financial Systems	5 years
Machinery and Equipment	5 years
Furniture and Fixtures	10 years
Central Plant	20 years
Building and Building Improvements	30 years

Expenditures for repairs and maintenance that do not increase the economic useful lives of related assets are charged to operations during the fiscal year in which the costs are incurred.

AMORTIZATION OF BOND PREMIUM, BOND DEFERRAL AND ISSUANCE COSTS

The bond premium is recorded as an increment of the carrying cost of the bonds. Bond premium and issuance costs are amortized based upon the weighted average of bonds outstanding over the term of the bonds. Bond deferral is the result of defeasance of Series 1998A bond which was the difference between the reacquisition price and the net carrying amount of the old debt. It is deferred and amortized over the remaining life of the old or the life of the new debt, whichever is shorter. It is being amortized over twenty two (22) years, the remaining life of the old bond.

DEFERRED REVENUE

Deferred revenue consists of unearned revenues for future events and the recognition of the Plumbers Building lease at fair market value (FMV) discounted to net present value (NPV).

OPERATING COMPONENT

The financial statement operating component includes all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities.

REVENUE RECOGNITION

Revenues are recorded when earned. Dedicated taxes are recorded in the period when the exchange transaction on which the tax is imposed occurs.

The Authority distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operation. The principal operating revenues of the Authority consist of building rental, electrical, telecommunications, food services, audio-visual, retail space rental and miscellaneous revenues. Operating expenses include personal services, contractual services, depreciation, occupancy, supplies, and miscellaneous expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COMPENSATED ABSENCES

The Authority accrues a liability for annual leave based on salary rates and accumulated leave hours at September 30. Employees earn annual leave during the year at varying rates, depending on the employee's classification and years of service. Generally, employees may carry a maximum of 240 hours of annual leave beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 hours is permitted with the approval of appropriate Authority officials. The accrued annual leave balance is payable to employee's upon termination of employment.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the 2007 financial statements were reclassified to conform to the fiscal year 2008 presentation.

NOTE 3: CASH DEPOSIT AND INVESTMENTS

The Authority complies with GASB Statement No. 40, *Deposit and Investment Risk Disclosures.* Cash, cash equivalents and investments are separately held by several of the Authority's funds.

CASH DEPOSITS

The carrying amount of the Authority's cash as of September 30, 2008 and 2007 were $2,927 and $2,819, respectively. The Authority's bank balances at September 30, 2008 and 2007 were $2,697 and $4,285 respectively. These bank balances are entirely insured or collateralized with securities held by the Authority's agent in its name.

INVESTMENTS

In accordance with the Authority's investment policy adopted in 1999, the Authority may invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the U.S. Government, its agencies, and instrumentalities, domestic interest bearing savings accounts, certificate of deposits, time deposits or any other investments that are direct obligations of any bank, short-term obligations of U.S. Corporations, shares or other securities legally issued by state or federal savings and loan associations that are insured by the FDIC, money market mutual funds registered under amended Investment Act of 1940, repurchase agreements with any bank, trust company, or national banking association or government bond dealer reporting to the Federal Reserve Bank of New York, and investment agreement which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution.

As of September 30, 2008 and 2007, the Authority had the following investments and maturities (in thousands):

			Investment Maturities	
	2008	2007	2008 Less than 3 Months	2007 Less than 3 Months
Investment Type	Fair Value			
Money Market Funds	$ 71,410	$111,274	$ —	$ —
Commercial Paper	72,500	—	72,500	—
Total Investment	$143,910	$111,274	$72,500	$ —

The Authority's investments are subject to certain risks. Those risks are as follows:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments. As of September 30, 2008 and 2007, all of the Authority's investments were held by a counterparty that is insured and collateralized. The Authority's investment policy does not address Custodial Credit Risk.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy to address its exposure to interest rate risk. As of September 30, 2008, all funds are invested in triple A rated money market funds and commercial paper thereby limiting the Authority's exposure to interest rate risk.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits investments to investments that are highly rated by Moody's or Standard and Poor. As of September 30, 2008, the Authority's investments were in short term money market funds that invested in obligations of the United States government or it agencies.

Concentration of Credit Risk: The Authority places no limit on the amount the Authority may invest in any one issuer. At September 30, 2008, the Authority had 100% of its investments in money market funds with one financial institution.

DEBT SERVICE RESERVE

Under the Bond Trust agreements, the Authority is required to maintain certain reserve requirements for debt service, operating and marketing, capital renewal and replacement, and marketing. The Authority maintained the above investment in various reserve requirements accounts. At September 30, 2008 and 2007, those restricted investments totaled approximately $67 million and $56 million, respectively.

In connection with the Series 2007A Bonds, the Debt Service Reserve Account requirement is satisfied by the deposit of a surety bond (the Reserve Account Credit Facility) provided by AMBAC Assurance Corporation ("Ambac Assurance" the "Reserve Account Credit Facility Provider"). If there are insufficient funds in the debt service account, the series 2007A Bonds are insured against non-payment by a Municipal Bond Insurance Policy issued by AMBAC Assurance Corporation (Ambac Assurance or "Insurer").

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)
September 30, 2008 and 2007

The following tables summarize the minimum reserve requirements and actual balance on the reserves as of September 30, 2008 and 2007, respectively.

Reserve Account	Investment Balance as of September 30, 2008	Minimum Required Reserve (Restricted)	Available Reserves Over and Above the Required Minimum
WCCA Bond Fund Senior Proceeds Account	$ 2	$ 2	$ —
Revenue Account	42,377	—	42,377
Revenue Stabilization Account	3	—	3
Debt Service Account	22,938	22,733	205
Capital Renewal & Replacement Account	36,979	17,000	19,979
Operating Account	332	—	332
Marketing Account	2,904	2,904	—
Operating & Marketing Reserve Account	36,449	23,000	13,449
Capitalized Interest Account	1,644	1,644	—
Cost of Issuance Account	48	48	—
Project Account	234	—	234
Total	$143,910	$67,331	$76,579

Reserve Account	Investment Balance as of September 30, 2007	Minimum Required Reserve (Restricted)	Available Reserves Over and Above the Required Minimum
WCCA Bond Fund Senior Proceeds Account	$ 2	$ 2	$ —
Revenue Account	31,213	—	31,213
Revenue Stabilization Account	3	—	3
Debt Service Account	11,407	11,042	365
Capital Renewal & Replacement Account	16,965	17,000	-35
Operating Account	1,146	—	1,146
Marketing Account	2,153	2,153	—
Operating & Marketing Reserve Account	45,578	23,000	22,578
Capitalized Interest Account	2,726	2,726	
Cost of Issuance Account	47	47	0
Project Account	34	—	34
Total	$111,274	$55,970	$55,304

NOTE 4: CAPITAL ASSETS

Capital asset balances at September 30, 2008 are summarized as follows (in thousands):

	Balance @ 9/30/2007	Additions	Disposals	Adjustments	Balance @ 9/30/2008
Non-Depreciable					
Land	$ 4,785	$ —	$ —	$ —	$ 4,785
Construction in Progress	1,765	624	—	—	2,389
Plumber's Building	33,425	—	—	—	33,425
Artwork	2,742	—	—	—	2,742
Total Non-Depreciable Capital Assets	$ 42,717	$ 624	$ —	$ —	$ 43,341
Depreciable					
Building	$769,452	$ —	$ —	$ —	$769,452
Building Improvements	5,046	842	—	—	5,888
Central Plant	16,219	47	—	—	16,265
Financial Systems	1,411	2	—	—	1,414
Furniture and Fixtures	9,314	116	—	—	9,430
Machinery and Equipment	6,638	209	—	—	6,848
Total Depreciable Capital Assets	808,080	1,216	—	—	809,297
Less Accumulated Depreciation	131,763	27,700	—	—	159,463
Total Net Depreciable Capital Assets	$676,317	$(26,484)	$ —	$ —	$649,834

Capital asset balances at September 30, 2007 are summarized as follows (in thousands):

	Balance @ 9/30/2006	Additions	Disposals	Adjustments	Balance @ 9/30/2007
Non-Depreciable					
Land	$ 4,785	$ —	$ —	$ —	$ 4,785
Construction in Progress	1,217	1,639	—	(1,091)	1,765
Plumber's Building	30,517	2,908	—	—	33,425
Artwork	2,725	17	—	—	2,742
Total Non-Depreciable Capital Assets	$ 39,244	$ 4,564	$ —	$(1,091)	$ 42,717
Depreciable					
Building	$769,452	$ —	$ —	$ —	$769,452
Building Improvements	4,247	799	—	—	5,046
Central Plant	16,172	47	—	—	16,219
Financial Systems	1,411	—	—	—	1,411
Furniture and Fixtures	9,148	166	—	—	9,314
Machinery and Equipment	5,799	839	—	—	6,638
Total Depreciable Capital Assets	806,229	1,851	—	—	808,080
Less Accumulated Depreciation	103,675	28,088	—	—	131,763
Total Net Depreciable Capital Assets	$702,554	$(26,237)	$ —	$ —	$676,317

CONSTRUCTION IN PROGRESS

The construction in progress represents predevelopment costs related to construction of the new hotel next to the convention center. Final costs to complete the project yet to be determined.

BUILDING AND BUILDING IMPROVEMENTS

The new convention center was substantially completed in 2003 and became operational in March 2003. In Fiscal Year 2005, the Authority started construction of leased retail space outlets. There are twelve retail lease locations at the Convention Center. As of fiscal year 2008, all retail spaces had been completed to a standard fitting out of finishes and utilities connections and nine retail spaces were leased. Disputes have arisen with several tenants over lease provisions and past due rents. The Authority is pursuing appropriate action to resolve these matters.

NOTE 5: FINANCING ARRANGEMENTS PAYABLE

The Authority entered into an arrangement with a vendor to finance the construction of the Central Plant for the Authority. The Central Plant, which is part of the convention center, provides hot and chilled water to the facility. The total construction cost of the Central Plant was $16 million. The vendor financed $14 million and the Authority paid the remaining balance of $1.8 million with bond proceeds. Under the financing arrangement, the Authority agreed to pay the vendor $0.7 million annually for twenty years and will assume ownership of the plant at the end of the lease term.

The following reflects the annual financing arrangement payable through maturity as of September 30:

Year ending September 30,	
2009	$ 1,207
2010	1,171
2011	1,135
2012	1,099
2013	1,063
2014-2018	4,777
2019-2022	3,197
Total	13,649
Less Interest	(3,560)
Total Financing Arrangement Payable	10,089
Less Current Portion	719
Long Term Portion	$ 9,370

NOTE 6: NOTES PAYABLE

OLD CONVENTION CENTER SITE

On July 1, 2004, a lease agreement was signed between the District of Columbia and the Washington Convention Center Authority granting the Authority the exclusive use of the old convention center site located on 900 9th Street, N.W., Washington D.C. The term of the lease is from July 1, 2004 through July 1, 2014. The Authority agreed to use the leased premises solely for the operation of a public parking lot. To secure the funding for the demolition of the old convention center and the construction of parking lots, on July 1, 2004 the Authority signed a $17 million non-revolving construction line of credit with a financial institution. Interest accrues on the unpaid principal balance at a rate equal to the 1-month LIBOR + 0.95% and payments are due quarterly beginning on October 1, 2004. Interest rates at September 30, 2008 and 2007 are 3.4% and 6.6%, respectively. Any outstanding balance on the line of credit is due July 1, 2009.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

If the District terminates the lease prior to the Authority repaying the loan, the District is responsible for repaying any outstanding loan balance and all obligations related to the demolition and parking redevelopment project. As of September 30, 2008, the Authority had drawn $15.8 million on the line of credit. In FY2008, principal payments in the amount of $1.7 million had been repaid leaving an outstanding balance of approximately $2.3 million at September 30, 2008.

901 MASSACHUSETTS AVENUE

On August 10, 2006, the Authority borrowed $30.5 million to acquire the property at 901 Massachusetts Avenue, part of the land assemblage for the convention center hotel. Interest is adjusted monthly based on a rate per annum equal to the sum of 1-month LIBOR plus 89 basis points and is due and payable in consecutive quarterly payments commencing on September 30, 2006. The $8.7 million owed was fully paid in February 2008.

NOTE 7: BOND PAYABLE

The Authority was authorized to issue bonds to finance the costs of the new convention center pursuant to the WCCA Act, as amended. On September 28, 1998, the Authority issued $524.5 million in senior lien dedicated tax revenue bonds (Series 1998A Bonds) to finance the construction of the new Washington Convention Center.

On February 1, 2007, WCCA issued $492.5 million of refunding Series 2007A Bonds, with a net premium of $15.6 million to effect a refunding for the Series 1998A Bonds. These refunding Bonds were dated February 1, 2007, with maturities ranging from October 2008 to October 2037, at a variable interest rates ranging from of 3.75% to 5%. The net proceeds of these refunding bonds were used to 1) advance refund all of the Series 1998A Bonds in the aggregate principal amount of $480.6 million; 2) refinance a portion of the land acquisition cost of WCCA related to the convention center hotel; 3) pay the premium for the Reserve Account Credit Facility that will fund the Series 2007A Bonds, including the premium for the Financials Guaranty Insurance Policy. As a result, the previously outstanding refunded bonds are considered to be defeased and the liability for those bonds has been extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt is $10 million (NPV). The economic gain on the transaction is $13.8 million.

In 2007 the WCCA defeased certain bonds by placing the proceeds of Series 2007A Bonds in a irrevocable trust to provide for all future debt services payments on the Series 1998A Bonds. Accordingly, the trust account asset and the liability for the defeased bonds are not included in the financial statements. At September 30, 2008, the Authority has $480.6 million, of bonds outstanding that are considered defeased debt.

In connection with the issuance of the bonds, the District and the WCCA entered into lockbox and collection agreements with a local bank into which the dedicated taxes are deposited and transferred to the bond trustee. Dedicated taxes are collected one month in arrears.

The WCCA Act provides that on or before July 15 of each year, the District's Auditor shall deliver a certification relating to the sufficiency of the projected dedicated tax revenues, WCCA operating revenues, and any amounts in excess of the minimum reserve account deposits to meet the sum of the projected operating and debt service expenditures and reserve requirements. If the projected revenues are insufficient, the WCCA Act requires the mayor to impose surtax in an amount sufficient to meet the projected deficiency. The District's Auditor determined that the projected dedicated taxes for fiscal year 2008 were expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the mayor.

As of September 30, 2008, the Authority's bond liability totaled approximately $492.5 million. A summary of annual maturities of the bonds payable for the years ending September 30, are as follows:

	Principal	Interest	Debt Service
2009	$ 11,690	$ 22,761	$ 34,451
2010	12,160	22,222	34,382
2011	12,700	21,655	34,355
2012	13,265	21,055	34,320
2013	13,865	20,376	34,241
2014–2018	79,985	90,752	170,737
2019–2023	101,750	67,876	169,626
2024–2028	128,850	39,546	168,396
2029–2033	100,590	9,499	110,089
2034–2037	17,670	1,237	18,907
Total	$492,525	$316,979	$809,504

At September 30, 2008, the unamortized bond premium and bond issuance costs were $14.8 million and $6.3 million, respectively. At September 30, 2007 the unamortized bond discount and bond issuance cost were $15.3 million and $6.6 million, respectively.

NOTE 8: CHANGE IN LONG TERM LIABILITIES

	Balance @ 9/30/2007	Additions	Reductions	Balance @ 9/30/2008	Amount Due Within One Year
Bonds Payable	$492,525	$ —	$ —	$492,525	$11,690
Unamortized Bond Premium	15,277	—	(520)	14,757	—
Bond Issuance Cost Payable	44	—	(44)	—	—
Bond Deferral	(19,074)	—	894	(18,180)	—
Notes Payable	12,745	—	(10,445)	2,300	2,300
Financing Arrangement Payable	10,809	—	(720)	10,089	719
Total Long Term Liabilities	$512,326	$ —	$(10,835)	$501,491	$14,709

	Balance @ 9/30/2006	Additions	Reductions	Balance @ 9/30/2007	Amount Due Within One Year
Bonds Payable	$492,360	$492,525	$(492,360)	$492,525	$ —
Bond Discount Payable	(5,132)	—	5,132	—	—
Unamortized Bond Premium	—	15,624	(347)	15,277	
Bond Issuance Cost Payable	—	6,716	(6,672)	44	44
Bond Deferral	—	(19,074)	—	(19,074)	
Notes Payable	46,329	—	(33,584)	12,745	8,746
Financing Arrangement Payable	11,527	—	(719)	10,809	719
Total Long Term Liabilities	$545,085	$495,791	$(528,550)	$512,326	$9,509

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

September 30, 2008 and 2007

NOTE 9: RETIREMENT PLAN

Effective April 1998, all WCCA full-time employees are covered by a defined contribution plan. The plan, which is managed by ICMA Retirement Corporation, requires no employee contributions. All employees are vested after four years of service. The contribution is 7% of total employee's salaries. The total employer's contribution for 2008 and 2007 was $0.81 million and $0.78 million, respectively.

NOTE 10: RELATED PARTY TRANSACTIONS

In accordance with the WCCA Act and amended Master Trust Agreement, the District of Columbia Government collects and forwards to the Authority the dedicated tax receipts that are used to fund the debt service and reserve requirements of its Series 1998A and Series 2007A Bonds. In 2008 and 2007, the Authority recognized revenue from dedicated tax receipts of $91.5 million and $83.3 million, respectively. As of September 30, 2008 and 2007, the dedicated taxes due from the District government recorded as a receivable were $7.6 million and $7.2 million, respectively. These receivables amounts substantially represent September tax payments collected by the District in October.

NOTE 11: MARKETING SERVICE CONTRACTS

In accordance with the provisions of Section 208(c) of the Washington Convention Center Act of 1994 (as amended in 1998), the Authority is required to maintain a marketing fund for the payment of marketing service contracts to promote conventions, tourism, and leisure travel in the District. The Act states that the total payment amount of the marketing service contracts to be based on 17.4% of the hotel sales tax received.

During fiscal year 2008 and 2007, the dedicated taxes allocable to the marketing account were $10.8 million and $9.7 million respectively.

The Authority incurred the following marketing services expenses in fiscal years 2008 and 2007 (in thousands):

	2008	2007
Washington D.C. Convention and Tourism Corporation	$9,269	$8,395
D.C. Chamber of Commerce	525	525
Greater Washington IBERO American Chamber of Commerce	200	200
Total	$9,994	$9,120

NOTE 12: COMMITMENTS AND CONTINGENCIES

The Authority is exposed to various asserted claims arising from the normal course of business. As of September 30, 2008, the Authority did not record additional liability as the potential exposures for the current or pending contingencies to the Authority cannot be determined at this time. For the year ended September 30, 2007, the Authority recorded a liability in its financial statement totaling $50 thousand for one claim that in the opinion of legal counsel could result in an unfavorable outcome.

NOTE 13: SUBSEQUENT EVENTS

On December 16, 2008, The City Council of the District of Columbia (The Council) passed the *New Convention Center Hotel Technical Amendments Act of 2008* (D.C. Bill 17-774), which included several amendments to *New Convention Center Hotel Omnibus Financing and Development Act*, (D.C. Law 16-163) previously passed by the Council that were designed to address issues that had been identified during the negotiation of the Headquarters Hotel and provide the necessary statutory authority for the Authority and the District to execute the transaction agreements.

SCHEDULE OF NET ASSETS BY FUND (IN THOUSANDS)

September 30, 2008

	Operating Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund	TOTAL
ASSETS						
Current assets						
Cash and cash equivalents	$ 2,313	$ 33	$ 29	$ 169	$ 383	$ 2,927
Investments	76,073	506	—	—	—	76,579
Due from District of Columbia	6,712	894	—	—	—	7,606
Accounts receivable, net of allowance for uncollectible accounts	1,194	—	—	—	5	1,199
Prepaid expenses and other assets	4	25	—	—	—	29
Accrued interest receivable	123	—	—	—	—	123
Interfund receivable (payable)	35,484	1,430	(4,767)	(32,124)	(23)	—
Total current assets	121,903	2,888	(4,738)	(31,955)	365	88,463
Noncurrent Assets						
Capital assets, net of accumulated depreciation	651,535	—	5,826	35,814	—	693,175
Unamortized bond issue costs	6,340	—	—	—	—	6,340
Restricted investments	67,331	—	—	—	—	67,331
Total Noncurrent Assets	725,206	—	5,826	35,814	—	766,846
Total Assets	$847,109	$2,888	$ 1,088	$ 3,859	$ 365	$855,309
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable	$ 2,306	$ 734	$ 452	$ 270	$ 72	$ 3,834
Compensation liabilities	298	—	—	—	—	298
Deferred revenue	2,700	—	—	388	—	3,088
Accrued interest payable	11,614	—	—	—	—	11,614
Other financing arrangement payable	719	—	—	—	—	719
Notes payable, current portion	—	—	—	—	2,300	2,300
Bonds payable, current portion	11,690	—	—	—	—	11,690
Total Current Liabilities	$ 29,327	$ 734	$ 452	$ 658	$ 2,372	$ 33,543
Noncurrent Liabilities						
Compensated absences	763	—	—	—	—	763
Bonds payable including premium	477,412	—	—	—	—	477,412
Other financing arrangement payable	9,370	—	—	—	—	9,370
Total Noncurrent Liabilities	487,545	—	—	—	—	487,545
Total Liabilities	516,872	734	452	658	2,372	521,088
NET ASSETS						
Restricted Net Assets						
Invested in capital assets, net of related debt	152,344	—	5,826	35,814	(2,300)	191,684
Debt services and capitalized interest	22,733	—	—	—	—	22,733
Capital renewal	17,000	—	—	—	—	17,000
Operating fund	23,000	—	—	—	—	23,000
Marketing fund	—	2,904	—	—	—	2,904
Senior proceeds account	2	—	—	—	—	2
Bond issuance	48	—	—	—	—	48
Capitalized bond interest	1,643	—	—	—	—	1,643
Unrestricted Net Assets	113,467	(750)	(5,190)	(32,613)	293	75,207
Total Net Assets	$330,237	$2,154	$ 636	$ 3,201	$(2,007)	$334,221

See independent auditors' report.

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (IN THOUSANDS)

Year ended September 30, 2008

	Operating Fund	Marketing Fund	Capital Fund	Building Fund	Demolition Fund	TOTAL
Operating Revenues						
Building rental	$ 9,157	$ —	$ —	$ —	$ —	$ 9,157
Food services	4,786	—	—	—	—	4,786
Electrical	2,364	—	—	—	—	2,364
Telecommunications	1,231	—	—	—	—	1,231
Audio-visual	417	—	—	—	—	417
Miscellaneous	505	—	—	—	—	505
Total Operating Revenues	18,460	—	—	—	—	18,460
Operating Expenses						
Personal services	15,256	—	—	—	—	15,256
Contractual services	11,895	137	35	—	—	12,067
Depreciation	27,681	—	19	—	—	27,700
Occupancy	5,838	—	—	—	—	5,838
Supplies	615	—	—	—	—	615
Miscellaneous	454	—	228	—	—	682
Bad debt	254	—	—	—	—	254
Total Operating Expenses	61,993	137	282	—	—	62,412
Operating Loss	(43,533)	(137)	(282)	—	—	(43,952)
Nonoperating Revenues and (Expenses)						
Interest Income	3,372	58	5	—	4	3,439
Dedicated taxes	80,655	10,839	—	—	—	91,494
Parking lot revenue	—	—	—	—	2,709	2,709
Interest expense	(24,655)	—	—	(195)	—	(24,850)
Amortization of Bond issuance costs	(224)	—	—	—	—	(224)
Transfer to tourism responsibility centers	—	(9,994)	—	—	—	(9,994)
Parking lot expenses	—	—	—	—	(1,015)	(1,015)
Prior year cost recovery	(7)	—	137	—	—	130
Rental income-plumbers building	—	—	—	1,163	—	1,163
Total Nonoperating Revenues and (Expenses)	59,141	903	142	968	1,698	62,852
Increase (Decrease) in Net Assets	15,608	766	(140)	968	1,698	18,900
Net assets, Beginning of Year	314,631	1,387	777	2,233	(3,707)	315,321
Net assets, End of Year	$330,239	$ 2,153	$ 637	$3,201	$(2,009)	$334,221

See independent auditors' report.

Acknowledgements:
Chinyere Hubbard — Henry W. Mosley, CPA
Monika Jansen — Sean Sands
J. Clarke Manley — Steve Schwartz

Convention Center photography pages 1–15 by John Healey Photography

Except:
pages 4 and 13 by David King
page 10 courtesy of Destination DC
page 12 iStockphoto
page 14 by Roland de Dios

Portrait photography pages 21–22:
Michael, Ortiz, Gandhi, Albert and O'Dell by Patrick King
Schear, Brown, Williams and Abdo by Peter Garfield

Rendering page 16 courtesy of Cooper Carry, Inc.
Rendering page 19 courtesy of FMG Design

Design by Kristin Searing Design

Printed by Senoda

Walter E. Washington
Convention Center

801 Mount Vernon Place NW
Washington, DC 20001

202.249.3000
800.368.9000

www.dcconvention.com

FSC
Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SW-COC-2142
© 996 Forest Stewardship Council

PRINTED WITH SOY INK™