

15,980,000  
**BELL CREEK**  
**COMMUNITY DEVELOPMENT AUTHORITY**  
**(HANOVER COUNTY, VIRGINIA) SPECIAL ASSESSMENT BONDS**  
**SERIES 2003A and B**

**DEVELOPER'S CONTINUING DISCLOSURE STATEMENT**

Attn: Keenan Rice  
MuniCap  
8340 Governor Ridgley Lane  
Ellicott City, MD 21043

In accordance with the AContinuing Disclosure Agreement@ (the A Disclosure Agreement@) by and between the undersigned, Hanover Group, Limited Liability Company (the ADeveloper@) and MuniCap, Inc. (the AAdministrator@) dated as of January 15, 2003, the Developer hereby provides the following information as of March 31, 2007. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated as of January 22, 2003. To the best of the knowledge of the undersigned:

1) Status of Construction and Completion of the Bell Creek CDA:

Public Improvement	Original Budget	Budget Percentage	Spent to Date	Percent Complete
<b>Bell Creek Park</b>				
Roads	\$2,797,610	40.9%	\$1,398,805	50%
Storm sewer	\$1,032,324	15.1%	\$1,032,324	100%
SWM Basin	\$290,000	4.2%	\$290,000	100%
On-site sanitary sewer	\$455,000	6.6%	\$455,000	100%
Academy Creek Trunk sewer	\$1,395,000	20.4%	\$1,395,000	100%
Water lines	\$260,541	3.8%	\$260,541	100%
Fiber optic & utility relocation	\$400,000	5.8%	\$400,000	100%
Wetland mitigation	\$195,000	2.8%	\$195,000	100%
Subtotal Bell Creek Park	\$6,825,995	100%	\$6,685,975	
<b>Bluffs at Bell Creek (Section 1)</b>				
Roads	\$831,718	37.8%	\$831,718	100%
Storm sewer	\$709,673	32.3%	\$709,673	100%
Sanitary sewer	\$462,411	21.0%	\$462,411	100%
Water lines	\$192,179	8.9%	\$192,179	100%
Subtotal Section 1	\$2,195,980	100%	\$2,195,981	
<b>Bluffs at Bell Creek (Age Restricted)</b>				

Roads	\$708,734	52.0%	\$531,550	100%
Storm sewer	\$137,025	10.0%	\$102,768	100%
Sanitary sewer	\$222,750	16.3%	\$167,062	100%
Water lines	\$103,140	9.5%	\$77,355	100%
Footbridge & other amenities	\$190,000	13.9%	\$95,000	100%
<b>Subtotal Age Restricted</b>	<b>\$1,361,649</b>	<b>100%</b>	<b>\$897,735</b>	
<b>Engineering &amp; permitting</b>	<b>\$1,750,000</b>		<b>\$1,312,500</b>	<b>100%</b>
<b>Total</b>	<b>\$12,740,305</b>		<b>\$11,092,191</b>	

- 2) Status of Financing Development not funded with Bond Proceeds: At the time of bond issuance, the developer had obtained a revolving line of credit in an amount up to \$8.0 million from Union Bank & Trust Company for the acquisition and construction of the Bell Creek development and one or more letters of credit in the aggregate amount of \$3.5 million. The interest rate on the acquisition and construction line of credit is 5.00%. The current balance on the acquisition and construction line of credit is \$4,841,851.60. The current balance on the letter of credit is \$0.00. At the time of bond issuance, the developer had also obtained a \$4.0 million loan from Union Bank & Trust for the construction financing of single-family homes within Bell Creek residential. First Market Bank had also provided a loan commitment of a \$3.0 million revolving line of credit for the construction financing of single-family homes within Bell Creek residential. The current balance on the \$4.0 million loan from Union Bank & Trust is \$978,797.53. As of December 31, 2005, the developer had drawn \$0.00 from the \$3.0 million revolving line of credit from First Market Bank. There are no other deeds of trust or other similar encumbrances against the property owned by the developer within the CDA and no event of default on the development and acquisition loan has occurred.
- 3) Statement as to sufficient funds available to complete district development: The developer expects to have sufficient funds to complete construction of development within the district.
- 4) Legislative, Administrative or Judicial Challenges: The developer is not aware of any legislative, administrative, or judicial challenges to the construction or development of the CDA.

5) Status of Home Sales and Closings:

	Total
Building permits	2
Finished lots	189
Homes sold (section I)	86
Homes closed	189
Homes sold (section II)	62
Homes sold (section III)	189

6) Sales to Builders: There have been no sales to any builders other than the Shield Company of any residential lots. There have been sales of parcels of land to other parties in the B-2 zoned retail section and the M-1 zoned commercial section. Approximately 10.9 acres of B-2 land has been sold and paid for in the amount of \$3,538,000. One acre of M-1 land has been sold and paid for in the amount of \$200,000. Additionally a letter of intent has been signed for one acre of M-1 land for \$200,000 and 2.3 acres of B-2 land for \$1,000,000. Total sales and sales pending are \$4,938,000.

7) Status of Governmental Approvals: The developer reports that there have been approvals from Hanover County for the construction of roads, water, storm sewer, and sanitary sewer lines in the Phase II section of active adult housing, and land clearance of road ways, etc., in the Phase III section for an additional 195 single family residential lots.

8) Annual Financial Report: A copy of the developer's annual financial statements for 2003 is attached under separate cover.

9) The developer has not obtained actual knowledge of the occurrence of any Events, as described in Section 3c (page F-6) in the Agreement.

HANOVER GROUP, LIMITED LIABILITY  
COMPANY

By: Hanover Group, L.L.C.  
General Partner

By: *Murray A. Mead*  
Title: *Murray Mead*  
Date: *4/17/07*