

CITY OF HARDEEVILLE, SOUTH CAROLINA

**\$13,483,000 ANDERSON TRACT MUNICIPAL IMPROVEMENT DISTRICT
ASSESSMENT REVENUE BONDS, SERIES 2008A**

and

**\$1,987,000 ANDERSON TRACT MUNICIPAL IMPROVEMENT DISTRICT
ASSESSMENT REVENUE BONDS, SERIES 2008B**

DEVELOPER'S CONTINUING DISCLOSURE STATEMENT

Attn: Keenan Rice
MuniCap, Inc.
6760 Alexander Bell Drive, Suite 220
Columbia, MD 2104

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement"), dated as of April 1, 2008, by CITY OF HARDEEVILLE, SOUTH CAROLINA (the "City"), HILTON HEAD LAKES, LLC (the "Developer"), and MUNICAP, INC. (the "Disclosure Dissemination Agent" or "MuniCap"), the developer hereby provides the following information as of April 10, 2009. All terms having initial capitalization and not defined herein shall have the same meanings set forth in a Limited Offering Memorandum dated March 31, 2008. To the best of the knowledge of the undersigned:

The information provided herein is not intended to supplement the information provided in the Limited Offering Memorandum. This report responds to the specific requirements of the continuing disclosure agreement. No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of April 10, 2009, unless otherwise stated, and no representation is made that the information contained herein is indicative of information that may pertain since the end of the period covered by this report or in the future.

1) Completion of the Public Improvements

A) Public Improvements Budget:

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Lakeside Boulevard	\$6,491,473	\$0	\$6,491,473	\$5,750,615	88.59%
Landscaping Lakeside Boulevard	\$2,296,874	\$0	\$2,296,874	\$602,968	26.25%
Phase 1 Water and Sewer	\$2,087,616	\$0	\$2,087,616	\$1,745,051	83.59%
Highway 278 Entrance	\$267,740	\$0	\$267,740	\$175,132	65.41%
Engineering	\$75,000	\$0	\$75,000	\$74,803	99.74%
Fire and Police Site Improvements	\$2,000,000	\$0	\$2,000,000	\$1,121,950	56.10%
Total	\$13,218,703	\$0	\$13,218,703	\$9,470,518	71.64%

The total Spent to Date, \$9,470,518, includes \$1,526,089 of reimbursement to the developer at bond closing. Of the total \$9,470,518 that has been disbursed for public improvements, \$8,924,410 was disbursed from the Construction Account, and \$546,108 was disbursed from other proceeds at bond closing.

B) Status of Construction

Lakeside Boulevard

As of April 10, 2009, the Developer reports that in regards to the Lakeside Boulevard, 100 percent of all roadway, sub-grade base and first lift of paving have been completely built out. The developer also reports that all underground water, sanitary and storm sewers, electrical and gas systems have been completed and are nearly ready to activate, and that the final grading of the road shoulders, rights of way and berm are completed.

As of April 10, 2009, the Developer reports that in regards to the Lakeside Boulevard, the sidewalks are 90 percent complete and are estimated to be completed by the end of April 2009. The developer also reports that the final lift of pavement will commence in 2009. The developer also reports that the regional sewer pumping station is complete and awaiting final inspection, approval and certification from Beaufort Jasper Water and Sewer. The developer also reports that activation of the station is anticipated by April 30, 2009.

Landscaping Lakeside Boulevard

As of April 10, 2009, the Developer reports that in regards to the landscaping of Lakeside Boulevard, the irrigation system is 100 percent installed and the landscaping is estimated to be completed by April 30, 2009.

Phase I Water and Sewer

As of April 10, 2009, the Developer reports that in regards to Phase I water and sewer, 100 percent of the Phase I water, sanitary sewer and storm sewer systems are completely built out. The developer also reports that as-built drawings have been completed, and submittals for final DHEC, OCRM and Beaufort Jasper Water and Sewer Authority approval and certifications have been filed. The developer further reports that DHEC operating permits are anticipated by April 30, 2009.

Highway 278 Entrance

As of April 10, 2009, the Developer reports that in regards to the Highway 278 entrance, all clearing, filling, earthwork operations, storm water system, water and sewer extensions, curb and gutter, and final paving are completed. The final grading, irrigation & landscaping operations of the Highway 278 entrance are underway with an anticipated completion date of April 30, 2009.

Engineering

As of April 10, 2009, the Developer reports that in regards to the Engineering, 100 percent of the engineering work is complete.

Fire and Police Site Improvements

As of April 10, 2009, the Developer reports that in regards to the Fire and Police Site Improvements, the City of Hardeeville has requested the above funds. The City is responsible for managing the improvements and requesting the remaining balance allocated for that purpose.

As of April 10, 2009, the Developer reports that the City has determined that the three-phase power pump for sanitary sewer pump stations will not be a publicly owned improvement, and such improvements will not be paid from the proceeds of the Municipal Improvement District.

As of April 10, 2009, the Developer reports that the first phase of public improvements is expected to be completed in 2010.

2) Status of Development

A) Material Changes to Development:

Under the sub-heading of commercial development, the amended concept master plan for the development calls for approximately 128 acres of commercial development. On January 31, 2008, the developer notified the city of the developer's exercise of the developer's right under the development agreement to convert from residential use to commercial use a parcel containing 57.5 acres.

Under the sub-heading of development agreement, the developer and the city have entered into a Second Amendment Agreement approved by the city on June 30, 2008 to add additional property to the provisions of the Development Agreement, however, such additional property is not part of the district.

We do not anticipate any future material changes to the development for the next quarter.

B) Projected Absorption

The following table provides a summary of projected absorption as of April 10, 2009.

Projected Absorption

	YEAR									Total
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
West Development Area										
Single-family 70'	19	19	19	19	19	19	19	19	19	171
Single-family 85'	37	38	38	38	37	37	37	37	37	336
Single-family 100'	39	40	40	39	39	39	39	39	39	353
Subtotal	95	97	97	96	95	95	95	95	95	860
East Development Area										
Residential Units	0	0	200	225	250	250	250	221	200	1,596
Total	95	97	297	321	345	345	345	316	295	2,456

The 2008 West Development Area projected absorption numbers represent the developer's projection as indicated in the Limited Offering Memorandum. The actual number of closed lot sales for 2008 was 63.

C) Lot Sales and Closings with Builders and Individual Property Owners:

Lot Type	Total Number of Lots	Lots Sold	Lots Closed
West Development Area			
Single-family 70'	171	25	19
Single-family 85'	336	26	25
Single-family 100'	353	23	23
Subtotal	860	74	67
East Development Area			
Residential Units	1,596	0	0
Total	2,456	74	67

D) Change in the Ownership of Any Parcel within the District

i) Lot sales

Owner	Number of Lots	Assessment B Prepayments Made	Developer Affiliate
Individual property owners	67	\$997,265	No
Builders	0		
Total	67	\$997,265	

Of the \$997,265 above, \$546,109 was prepaid at bond closing.

ii) Parcel sales

Owner	Number of Parcels	Total Acreage	Relationship with the Developer
N/A	N/A		N/A
Total			

E) Issuance of Building Permits:

Unit Type	Total Number of Lots	Number Building Permits Issued
West Development Area		
Single-family 70'	171	
Single-family 85'	336	
Single-family 100'	353	
East Development Area		
Residential Units	1,596	
Total	2,456	0

3) Government Permits and Approvals:

Permit	Permitting Agency	Approval Status
404 Individual Wetlands Permit (if required)	USACOE	Approved
404 Nationwide Permit	USACOE	Not required
401 State Wetlands Permit	SCDHEC	Approved
Land Disturbance Permit (NPDES)	SCDHEC - OCRM	Obtained for Phase 1 Main Road, West Phase 1
Encroachment Permit	SCDOT	Approved
Water and Sewer Plans Approval	Beaufort-Jasper Water & Sewer Authority	Obtained for Phase 1 Main Road, West Phase 1
Water Permit to Construct	SCDHEC	Obtained for Phase 1 Main Road, West Phase 1
Site Plan Approval	City of Hardeeville	Obtained for Phase 1 Main Road, West Phase 1
Initial Master Plan	City of Hardeeville	Approved

- 4) **Zoning Classification or Land Use Entitlement Changes:** There have been no changes to the zoning classification or land use entitlement of any parcel within the district as described in the Limited Offering Memorandum.
- 5) **Legislative, Administrative or Judicial Challenges:** There have been no legislative, administrative, or judicial challenges to the construction of the Series 2008 Project or the development of the district.
- 6) **Event of Default on any Loan:** The developer has not received formal written notice and is not aware of any default or passage of time on any loan.
- 7) **Material Changes in the Form, Organization or Ownership of the Developer:** There have been no material changes in the form, organization or ownership of the developer of any other affiliate of the developer who owns property in the district (as described within the Limited Offering Memorandum under the headings "THE DEVELOPMENT" and "THE DEVELOPER").
- 8) **Other Comments:** None

HILTON HEAD LAKES, LLC

By: Hilton Head Lakes, LLC

By: A. Bradford Edwards

Title: PARTNER

Date: MAY 4, 2009