

**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 January 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 January 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:**

<b>Public Improvement</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
Lakeside Boulevard	\$6,491,473	\$0	\$6,491,473	\$5,676,793.51	87.45%
Landscaping Lakeside Boulevard	\$2,296,874	\$0	\$2,296,874	\$223,742.02	9.74%
Phase 1 Water and Sewer	\$2,087,616	\$0	\$2,087,616	\$1,733,584.13	83.04%
Highway 278 Entrance	\$267,740	\$0	\$267,740	\$175,131.53	65.41%
Engineering	\$75,000	\$0	\$75,000	\$74,802.50	99.74%
Fire and Police Site Improvements	\$2,000,000	\$0	\$2,000,000	\$1,121,950.00	56.10%
<b>Total</b>	<b>\$13,218,703</b>	<b>\$0</b>	<b>\$13,218,703</b>	<b>\$9,006,003.69</b>	<b>68.13%</b>

**B) Status of Construction**

- (i) **Status of construction of Highway 278 Entrance:** All clearing, filling & earthwork operations are completed along with the storm water system, water & sewer extensions, curb & gutter, & final paving. Currently, the final grading, irrigation & landscaping operations are underway with an anticipated February 2009 completion.
- (ii) **Status of water and sewer infrastructure:** 100% of all water and sanitary sewer & storm sewer systems are completed. As-builts drawings have been completed & submittals for final DHEC, OCRM & Brunswick Jasper Water & Sewer Authority approval & certifications have commenced.
- (iii) **Status of construction of Lakeside Boulevard:** 100% of all roadway, sub-grade base & 1<sup>st</sup> life of paving have been completed. All underground water, sanitary & storm sewers, electrical & gas systems have been completed and are nearly ready to activate. The final grading of the road shoulders, rights of way and berm is complete. The irrigation system is 90% installed. Landscaping of the above areas will commence late January and should be completed by April 30, 2009. Sidewalks are at 50% and will be completed by the end of January. The final lift of pavement will commence MID 2009. The regional sewer pumping station is complete awaiting final inspection, approval & certification. Activation of station is anticipated April 30, 2009 or before.
- (iv) **Status of construction of Lakeside Boulevard landscaping:** see above (iii)
- (v) **Others**

It has been determined that the 3 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.

**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 129 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 January 10, 2009.

**Projected Absorption**

	YEAR									Total
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<b>West Development Area</b>										
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
<b>Subtotal</b>	<b>95</b>	<b>97</b>	<b>97</b>	<b>96</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>95</b>	<b>860</b>
<b>East Development Area</b>										
Residential Units	0	0	200	225	250	250	250	221	200	1,596
<b>Total</b>	<b>95</b>	<b>97</b>	<b>297</b>	<b>321</b>	<b>345</b>	<b>345</b>	<b>345</b>	<b>316</b>	<b>295</b>	<b>2,456</b>

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

Lot Type	Total Number of Lots	Lots Sold	Lots Closed
<b>West Development Area</b>			
Single-family 70'	171	22	15
Single-family 85'	336	26	25
Single-family 100'	353	23	23
<b>Subtotal</b>	<b>860</b>	<b>71</b>	<b>63</b>
<b>East Development Area</b>			
Residential Units	1,596		
<b>Total</b>	<b>2,456</b>	<b>71</b>	<b>63</b>

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

i) Lot sales

Owner	Number of Lots	Developer Affiliate
Individual property owners	63	No
Builders	0	
<b>Total</b>	<b>63</b>	

ii) Parcel sales

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

E) Issuance of Building Permits:

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

3) Estimated Sources and Uses of Bond Proceeds:

	Original Budget	Budget Changes	Revised Budget
Series 2008 Bonds	\$11,569,388	\$0	\$11,569,388
Assessment Prepayments	\$546,109	\$409,581	\$955,690
Developer	\$8,000,000	\$0	\$8,000,000
<b>Total</b>	<b>\$20,115,497</b>	<b>\$409,581</b>	<b>\$20,525,078</b>

4) **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

- 5) **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.
- 6) **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.
- 7) **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.
- 8) **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").
- 9) **Other Comments:**  
None

**HILTON HEAD LAKES, LLC**

By: Hilton Head Lakes, LLC

By: *H. Clifford Edwards*

Title: PARTNER

Date: JAN 12, '09