

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending June 30, 2008

*\$13,454,000 Lancaster County, South Carolina
Edgewater Improvement District
Assessment Revenue Bonds
Series 2003 A and B*

Prepared by

MUNICAP, INC.

October 15, 2008

**DEVELOPMENT ACTIVITY AND
DISCLOSURE REPORT**
For the Period Ending June 30, 2008

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I. UPDATED INFORMATION

Information updated for the period ending June 30, 2008 is as follows:

- As of June 30, 2008, the developer reports that a total of 340 lots have been sold. Of this amount, 303 lots are located in Phase I-A of the development, and 37 lots are located in Phase I-B.
- At issuance, the total number of residential units in the district at build-out was expected to be 839 (with 383 units in Phase I-A on approximately 240 acres and 456 units in Phase I-B on approximately 71 acres). However, the developer reduced the number of units to be platted by 117 to 728 units.
- As of June 30, 2008, a total of \$15,037,862.54 has been expended for the construction of the public improvements, representing 119 percent of the budgeted amount.
- The annual payment imposed in 2007 for collection in 2008 was \$379,167.86 and \$100,832.14 for the Assessment Part A and Assessment Part B, respectively. The annual payment was required to be paid on January 15, 2008.
- The annual payment imposed in 2007 in the aggregate amount of \$480,000.00 has been collected and transferred to the trustee, representing 100 percent of the annual payment due in 2008. As a result, there are no delinquent annual payments for fiscal year 2008.
- The annual payment imposed in 2008 for collection in 2009 is equal to \$412,421.72 for the Assessment Part A and \$185,108.77 for the Assessment Part B. As a result, the total annual payment due on January 15, 2009 is equal to \$540,000. Accordingly, there are no delinquent annual payments outstanding for fiscal year 2009 at this time.

II. INTRODUCTION

The Edgewater Improvement District Assessment Revenue Bonds Series 2003A and Series 2003B Bonds have been authorized by an ordinance enacted on June 24, 2003, by the County Council of Lancaster County, South Carolina. The bonds were issued pursuant to the authorization of the County Public Works Improvement Act, codified at Chapter 35 of Title 4, Code of Laws of South Carolina 1976, as amended, and a Trust Indenture dated as of June 15, 2003 (the “Indenture”) between Lancaster County, South Carolina (the “County”) and Wachovia Bank, National Association, as trustee (the “Trustee”), and are special obligations of the County payable solely from and secured by a pledge of the Trust Estate.

The Edgewater Improvement District (the “District”) consists of approximately 311 acres comprising Phases I-A and I-B of the Edgewater Development (the “Edgewater Development”). The proposed Edgewater Development comprises approximately 1,340 acres and is part of an approximately 6,200-acre master planned development project known as Catawba Ridge. Catawba Ridge is located entirely within the County on the easterly shore of Fishing Creek Reservoir, along the Catawba River north of the Nitro Lee Dam and west of South Carolina Highway 200.

The Edgewater Development is being developed as an amenitized first and second-home community. Catawba Ridge is located approximately 40 miles south of Charlotte, North Carolina, and approximately 40 miles north of Columbia, South Carolina. The Edgewater Development site lies approximately 13 miles east of Interstate 77 and is accessible via Highway 9 to Highway 200 or from Highway 21 to Highway 200. The district is bounded on the west by Fishing Creek, on the south by Bear Creek, and located west of Catawba Ridge Boulevard.

The Edgewater Development master plan includes an 18-hole golf course, a marina, boat ramp and access, multi-family development and other typical amenities. The Edgewater Development will be developed in phases over the next ten to fifteen years. Phases I-A and I-B of the Edgewater Development, which comprise the district, are situated on the banks of the Catawba River. At issuance, the total number of residential units in the district at build-out was expected to be 839 (with 383 units in Phase I-A on approximately 240 acres and 456 units in Phase I-B on approximately 71 acres). However, the developer reduced the number of units to be platted by 117 to 728 units.

Craft Development will be responsible for the land development activity at the Edgewater Development. The developer has a homebuilding division, a commercial development division and a land development division. The developer’s homebuilding division will be one of several participating homebuilders at the Edgewater Development.

Assessment revenue bonds in the amount of \$6,034,000.00 (Series 2003A) and \$7,420,000.00 (Series 2003B) were sold in June 2003. Public improvements funded by both the 2003 Bonds proceeds in the amount of \$9,547,115 and private funds will be used for construction of roadway, storm drainage, water and sanitary sewer systems, recreational facilities, landscaping, signage, walking paths, and decorative lighting. All recreational amenities, including passive and active common open space will be privately funded.

The information provided herein is not intended to supplement or otherwise relate to the information provided in the Limited Offering Memorandum and any such intent is expressly disavowed. Rather, 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 June 30, 2008, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

According to the Limited Offering Memorandum, the size and scope of the entire project is approximately 6,200 acres and will be phased in over the next 10 to 15 years. At total build-out the project and its various parts will have a total of 16,000 residential units. The master plan for the entire project allows for a number of uses, which includes, but is not limited to, low density residential, medium density residential, high density residential, commercial, retail, office, assisted living facilities, civic/institutional uses, golf course, public and private boat access and a marina. Phases I-A and I-B of Edgewater will comprise the Edgewater Special Assessment District. The total number of units in Phase I-A and I-B at total build-out was expected to be 839 units.

At issuance, the total number of residential units in the district at build-out was expected to be 839 (with 383 units in Phase I-A on approximately 240 acres and 456 units in Phase I-B on approximately 71 acres). However, the developer reduced the number of units to be platted by 117 to 728 units. A breakdown of unit-type by Phase is provided in Table III-1 below.

Table III-1
Number of Units in Phase I-A and I-B

Unit Type	Phase I-A (“Estate Homes”)		Phase I-B (“Community Homes”)		Revised Total
	Original	Revised	Original	Revised	
Lake Front	95	93	80	62	155
Lake View	73	73	53	53	126
Interior	215	203	323	238	441
HOA Properties	3	3	3	3	6
Total	386	372	459	356	728

Table III-2 on the following page shows the development schedule of Phase I-A and Phase I-B.

**Table III-2
Development Schedule**

Development	Phase IA		Phase IB	
	Begin	Complete	Begin	Complete
Residential				
Lake Front	7/20/2003	Complete	10/2003	Complete
Lake View	7/20/2003	Complete	10/2003	Complete
Interior	7/20/2003	Complete	10/2003	Complete
Infrastructure Improvements				
a) Offsite				
Water Main	7/2002	Complete	7/2002	Complete
Sewer Main	7/2002	Complete	7/2002	Complete
Catawba Ridge Parkway		Complete		Complete
b) Onsite				
Roadways	7/20/2003	Complete	11/2003	Complete
Water & Sewer systems	8/5/2003	Complete	12/2003	Complete
Recreation facilities	Est. 12/2005	Complete	Est. 1/2008	Est. 6/2008
Landscaping	2/2004	On going as phases & homes are completed		
Signage	2/2006	Complete	4/2006	Complete
Walking paths	Est. 4/2006	Est. 12/2007	Est. 6/2006	Est. 12/08
Decorative lighting	N/A	N/A	N/A	N/A

B. STATUS OF GOVERNMENTAL PERMITS

Other than building permits, the developer reports no change in the status of approvals as described in the Limited Offering Memorandum under the heading “THE DEVELOPER; PLAN OF DEVELOPMENT – The Plan of Development.” Table III-3 shows the status of permits.

**Table III-3
Permits**

Permit	Permitting Agency	Date Submitted	Date Approved
Water Permit Phase I-A	SCDHEC	4/25/2003	10/23/2003
Sanitary Sewer Phase I-B	SCDHEC	4/25/2003	11/03/2003
Water Permit Phase I-A	SCDHEC	4/25/2003	10/23/2003
Site Plan Phase I-A	Lancaster County	2/03/2003	Complete
Site Plan Phase I-B	Lancaster County	4/03/2003	Complete
Water & Sewer Plans Phase I-A	Lancaster County Water & Sewer District	4/25/2003	10/23/2003
Water & Sewer Plans Phase I-B	Lancaster County Water & Sewer District	4/25/2003	11/03/2003

C. STATUS OF DEVELOPMENT

As of June 30, 2008, the developer reports that a total of 340 lots have been sold. Of this amount, 303 lots are located in Phase I-A of the development, and 37 lots are located in Phase I-B. Table III-4 below shows the number of lots sold and closed as of June 30, 2008:

Table III-4
Lots Sold and Closed

Unit Type	Total Lots Sold		Total Lots Closed	
	Phase I-A	Phase I-B	Phase I-A	Phase I-B
Lake Front	88	10	88	10
Lake View	64	14	64	14
Interior	151	13	151	13
Total	303	37	303	37

As of June 30, 2008, a total of \$15,037,862.54 has been expended for the construction of the public improvements, representing 119 percent of the budgeted amount. Table III-5 on the following page shows the budget, as of June 30, 2008, for the proceeds funded to date by line item.

Table III-5
Public Improvements

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Phase I-A					
Site Preparation	\$582,980	\$584,604	\$1,167,584	\$1,647,349	100%
Sanitary Sewer	\$1,440,116	\$504,600	\$1,944,716	\$2,090,134	100%
Water Service	\$815,140	(\$175,840)	\$639,300	\$764,201	100%
Storm Sewer	\$226,892	\$99,721	\$326,613	\$458,872	100%
Paving & Curbing	\$792,035	\$50,007	\$842,042	\$849,115	100%
Engineering & Soft Costs:					
Contingency 15 %	\$578,575	\$871,998	\$1,450,572	\$1,427,478	100%
Construction Monitoring	\$192,858	(\$138,336)	\$54,522	\$314,633	100%
Engineering Surveying 10%	\$385,716	\$114,336	\$500,053	\$649,374	100%
Elevated Storage Tank	\$1,250,000	(\$351,380)	\$898,620	\$898,620	100%
<i>Subtotal</i>	\$2,407,149	\$496,618	\$2,903,767	\$3,290,105	100%
Subtotal Phase IA	\$6,264,312	\$1,559,710	\$7,824,022	\$9,099,777	100%
Phase I-B					
Site Preparation	\$275,280	\$930,439	\$1,205,719	\$1,324,853	100%
Sanitary Sewer	\$786,549	\$643,151	\$1,429,700	\$1,754,028	100%
Water Service	\$334,655	\$208,240	\$542,895	\$595,649	100%
Storm Sewer	\$553,380	\$121,909	\$675,289	\$846,272	100%
Paving & Curbing	\$575,302	(\$13,622)	\$561,680	\$793,464	100%
Engineering & Soft Costs	\$757,550	(\$263,598)	\$493,952	\$623,820	100%
Subtotal Phase IB	\$3,282,716	\$1,626,519	\$4,909,235	\$5,938,085	100%
Total	\$9,547,028	\$3,186,229	\$12,733,257	\$15,037,863	100%

D. STATUS OF FINANCING

As the time of issuance of the bonds, the developer planned to fund the costs of the Edgewater Development, other than infrastructure, from its own cash and lines of credit, cash flow from the sale of inventory and marketing fees charged to builders. The developer does not expect to mortgage any part of the Edgewater Development.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2003A and B bonds is US Bank Corporate Trust (formerly Wachovia Bank, National Association). The balances as of December 31, 2006, interest paid, additional proceeds, disbursements, and account balances for each fund as of June 30, 2008, are shown on the following table:

Table IV-1
Account Balances

Fund	Balance 12/31/06	Interest Paid	Additional Proceeds	Disburse- ments	Balance 6/30/08
Series A Interest Fund	\$2,728	\$329	\$473,132	\$475,750	\$439
Series B Interest Fund	\$7,955	\$660	\$276,937	\$284,078	\$1,475
Cost of Issuance Fund	\$6,969	\$305	\$0	\$7,273	\$0
Revenue Fund	\$165,081	\$21,538	\$1,013,380	\$868,073	\$331,926
Administrative Expense Fund	\$17,878	\$669	\$65,000	\$45,111	\$38,436
Escrow Fund	\$2	\$0	\$0	\$2	\$0
Series A Capitalized Interest Account	\$297	\$0	\$0	\$297	\$0
Series A Debt Service Reserve Fund	\$425,385	\$20,029	\$0	\$86,172	\$359,243
Series B Capitalized Interest Account	\$1,558	\$0	\$0	\$0	\$1,558
Series A Principal Account	\$0	\$44	\$179,000	\$179,044	\$0
Series B Principal Account	\$0	\$0	\$760,000	\$760,000	\$0
Series B Debt Service Reserve Fund	\$481,200	\$19,128	\$0	\$219,728	\$280,600
Series A Prepayment Account	\$53,921	\$1,817	\$108,111	\$163,848	\$0
Series B Prepayment Account	\$307,382	\$9,894	\$476,487	\$781,313	\$12,450
Total	\$1,470,357	\$74,412	\$3,352,046	\$3,870,688	\$1,026,127

Additional proceeds to the Series A and B Interest Fund were transfers from the Series A and B Prepayment Accounts, respectively, pursuant to Section 5.11 of the Trust Indenture for the payment of interest due. Additional proceeds to the Revenue Fund represent transfers of special tax collections from the county and transfers of investment income from the Series A and B Reserve Funds. Additional proceeds to the Administrative Expense Fund were transfers from the Revenue Fund for the payment of administrative expenses. Additional proceeds to the Series A and B Principal Accounts represent transfers from the respective Prepayment Accounts for the redemption of the Series 2003 Bonds. Additional proceeds to the Series A and B Prepayment Accounts were prepayment deposits on lots within the development. Disbursements from the Cost of Issuance Fund were balance transfers to the Series A and B Prepayment Accounts in order to close the Cost of Issuance Fund in December 2007. Disbursements from the Escrow Fund were transfers to the Revenue Fund to close the fund. Disbursements from the Series A Capitalized Interest Account represent transfers to the Series A Interest Fund.

The interest paid through June 30, 2008 does not include interest accrued but not yet paid. The bond proceeds are invested in. Proceeds in the Series A and B Reserve Funds are invested in Monumental Life Guaranteed Investment Contract that pays 3.51 percent. Other bond proceeds are invested in First American Obligation Treasury money markets that pay interest of 1.93 percent per annum. Table IV-2 on the following page shows the average return on the investments in each fund or account.

Investment income on the administrative expense fund will remain in that fund and be used for the purpose of paying administrative expenses. If the reserve requirement is met, investment income in the reserve fund will be transferred to the Revenue Fund. If the reserve requirement is not met, the interest will remain in the Reserve Fund. Investment income in Series A and Series B Interest Funds will remain in their accounts to pay interest on Series A and B Bonds. Investment income in the Revenue Fund will remain in the fund for the purposes of the fund. The investment income from the Series A and B Prepayment Fund will transferred to the Series A and B Interest Accounts, respectively for paying interest on the Series A and B Bonds.

Table IV-2
Rate of Return

Account	Rate of Return
Series A Interest Fund	1.93%
Series B Interest Fund	1.93%
Revenue Fund	1.93%
Administrative Expense Fund	1.93%
Series A Debt Service Reserve Fund	3.51%
Series B Debt Service Reserve Fund	3.51%
Series B Prepayment Fund	1.93%

V. *DISTRICT OPERATIONS*

A. ANNUAL REVENUE REQUIREMENT

The Annual Assessment is the assessment due and payable each year on the assessed property. The Assessments include an Assessment Part A and an Assessment Part B. There is an Annual Assessment that corresponds with Assessment Part A and Assessment Part B. The Annual Assessment imposed in 2008 for collection in 2009 is equal to \$412,421.72 for the Assessment Part A and \$185,108.77 for the Assessment Part B.

Annual Payment

The Annual Payment each year is equal to the Annual Assessment less the Annual Credit. The Annual Payment is the amount due and payable from the assessed property each year. The Annual Credit is described in the next section.

Annual Credit

The Annual Credit for each year is equal to the Annual Assessment less the Annual Revenue Requirement, calculated separately for the Assessment Part A and the Assessment Part B.

Annual Revenue Requirement

The Annual Revenue Requirement is defined as follows:

For any given year, the sum of the following, (1) regularly scheduled debt service on the bonds to be paid from the Annual Payments; (2) periodic costs associated with such bonds, including but not limited to rebate payments and credit enhancements on the bonds; and (3) administrative expenses (allocated proportionately to Assessment Part A and Assessment Part B anticipated to be collected for such year); less (a) any credits applied under the bond indenture, such interest earnings on any account balances, and (b) any other funds available to the district that may be applied to the Annual Revenue Requirement, calculated separately for the Assessment Part A and the Assessment Part B.

Table V-1 on the following page provides a summary of the Annual Revenue Requirement for fiscal year 2009, which has been calculated separately for the Assessment Part A and the Assessment Part B. Each of these numbers is explained in the following sections.

Table V-1
Annual Revenue Requirement

	Assessment Part A	Assessment Part B	Total
Interest payment on May 1, 2009	\$154,515.63	\$83,269.38	\$237,785.00
Interest payment on November 1, 2009	\$154,515.63	\$83,269.38	\$237,785.00
Principal payment on November 1, 2009	\$61,000.00	\$0.00	\$61,000.00
Subtotal Annual Payments	\$370,031.25	\$166,538.75	\$536,570.00
Administrative expenses	\$27,584.94	\$12,415.06	\$40,000.00
Contingency	\$14,805.53	\$6,154.96	\$20,960.49
<i>Subtotal expenses</i>	\$412,421.72	\$185,108.77	\$597,530.49
Revenue Fund	(\$20,063.59)	(\$15,728.22)	(\$35,791.81)
Series A & B interest sub-accounts	\$0.00	\$0.00	\$0.00
Reserve Fund Interest Income	(\$12,358.13)	(\$9,380.55)	(\$21,738.68)
<i>Subtotal funds available</i>	(\$32,421.71)	(\$25,108.77)	(\$57,530.49)
Annual Revenue Requirement	\$380,000.00	\$160,000.00	\$540,000.00

Debt Service

Debt service includes the semi-annual interest payments due on the Series A and B Bonds on May 1, 2009 and November 1, 2009. Series A Bonds in amount of \$1,539,000.00 have been redeemed through the debt service payment of May 1, 2008. As a result, the semi-annual interest payment on the Series A Bonds is \$158,606.25 and represents an annual coupon of 6.875% on the outstanding bonds of \$4,495,000.00.

Series B Bonds in the amount of \$4,701,000.00 have been redeemed through the debt service payment of May 1, 2008. As a result, the semi-annual interest payment on the Series B Bonds is \$83,269.38, which represents an annual coupon of 6.125% on the outstanding bonds of \$2,719,000.00.

A principal payment of \$61,000.00 for the Series A Bonds is due on November 1, 2009. As a result, total debt service on the Series A and B Bonds is \$370,031.25 and \$166,538.75, respectively.

Administrative Expenses

Administrative expenses generally include the fees of the trustee, the administrator, and county expenses associated with district administration. The annual fee of the trustee is estimated to be \$7,500.00. The cost of the administrator for 2009 is estimated to be \$15,000.00. The county expenses are estimated to be \$17,500.00. As a result, total administrative expenses for 2009 are estimated to be \$40,000.00.

Contingency

A contingency approximately four percent of annual debt service, plus an additional amount to round the annual revenue requirement to the nearest thousand, has been added in the event of special assessment delinquencies, unanticipated expenses or if investment income is less than estimated.

Series A and B Interest Sub-Accounts

As of July 31, 2008, the balances in the Series A and B Interest Sub-Accounts were \$439.50 and \$1,496.07, respectively. These funds will be used to pay interest on the Series A and B Bonds on November 1, 2008, resulting in a balance of zero to be made available to pay debt service in 2009.

Revenue Fund

As of July 31, 2008, the balance in the Revenue Fund was \$331,926.19. A portion of these funds (together with the balances held in the interest accounts) in the amount of \$216,076.13 and \$81,773.31 will be transferred into Series A Interest Account and Series B Interest Account, respectively, and used to pay interest and principal due on bonds on November 1, 2008. The interest payment due on November 1, 2008 on the Series A and B Bonds is equal to \$154,515.63 and \$83,269.38, respectively. A principal payment of \$62,000.00 is due on November 1, 2008 on Series A Bonds. Accordingly, total debt service due on Series A and B Bonds on November 1, 2008 is equal to \$299,785.00. The resulting balance in the amount of \$35,791.81 ($\$335,576.81 - \$299,785.00 = \$35,791.81$) will be made available to pay debt service in 2009.

Table V-2
Available Revenue Account

	Assessment Part A	Assessment Part B	Total
Revenue fund balance @ July 31, 2008	\$236,139.71	\$97,501.53	\$333,641.24
Interest sub-account balance @ July 31, 2008	\$439.50	\$1,496.07	\$1,935.57
<i>Subtotal available funds</i>	\$236,579.21	\$98,997.60	\$335,576.81
Debt Service @ November 1, 2008	(\$154,515.63)	(\$83,269.38)	(\$237,785.00)
Principal payment on November 1, 2008	(\$62,000.00)	\$0.00	(\$62,000.00)
<i>Subtotal debt service November 1, 2008</i>	(\$216,515.63)	(\$83,269.38)	(\$299,785.00)
FY07 administrative expenses	\$0.00	\$0.00	\$0.00
Total expenses	(\$216,515.63)	(\$83,269.38)	(\$299,785.00)
Available revenue account	\$20,063.59	\$15,728.22	\$35,791.81

Reserve Fund Interest Income

As of July 31, 2008, the balance on the Series A Reserve Fund was \$359,242.52. The reserve requirement for Series A Bonds is equal to 7.969 percent of the bonds outstanding at the date of valuation. The outstanding Series A Bonds at the date of valuation were \$4,718,000.00. Accordingly, the reserve requirement for the Series A Bonds is equal to \$359,242.77. Excess funds from the Series A Reserve Fund will be transferred to the Principal Fund and used to redeem bonds in the future. The reserve requirement is invested in a Monumental Life Insurance Company Master Repurchase Agreement (REPO) earning 3.45 percent per annum that matures on November 1, 2009. The yield on the bond proceeds invested in the reserve fund will result in annual estimated investment income of \$12,358.12, which will be made available to pay debt service on the Series A Bonds in 2009.

As of July 31, 2008, the balance on the Series B Reserve Fund was \$280,600.00. The reserve requirement for Series B Bonds is equal to ten percent of bonds outstanding at the date of valuation. The outstanding Series B Bonds at the date of valuation were \$2,806,000.00. Excess funds the Series B Reserve Fund will be transferred to the Principal Fund and used to redeem bonds in the future. The reserve requirement is invested in a Monumental Life Insurance Company Master Repurchase Agreement (REPO) earning 3.45 percent per annum that matures on November 1, 2009. The yield on the bond proceeds invested in the reserve fund will result in annual estimated investment income of \$9,380.55, which will be made available to pay debt service on the Series B Bonds in 2009.

Summary Annual Credit

The Annual Credit for each year is equal to the Annual Assessment less the Annual Revenue Requirement, calculated separately for the Assessment Part A and the Assessment Part B. A summary of the Annual Credit is shown below:

Table V-3
Summary Annual Credit

	Assessment Part A	Assessment Part B
Annual Assessment	\$412,421.72	\$185,108.77
Annual Revenue Requirement	\$380,000.00	\$160,000.00
Annual Credit	\$32,421.72	\$25,108.77

Summary Annual Payment

The Annual Payment each year is equal to the Annual Assessment less the Annual Credit. A summary of the Annual Payment is shown below:

Table V-4
Summary Annual Payment

	Assessment Part A	Assessment Part B
Annual Assessment	\$412,421.72	\$185,108.77
Annual Credit	\$32,421.72	\$25,108.77
Annual Payment	\$380,000.00	\$160,000.00

Update for the Assessment Roll

The County Council shall update the Assessment Roll each year to reflect (i) the current parcels in the district, (ii) the names of the owners of the parcels, (iii) the Assessment for each parcel (including any adjustments to the Assessments), (iv) the Annual Payment to be collected from each parcel for the current year, (v) any changes in the Annual Assessments, (vi) prepayments of the Assessments, and (vii) any other changes to the Assessment Roll.”

The initial parcels in the district consisted of two parent parcels with total acreage of 310.83 acres. Lots in Phase 1A of the development are being platted from parcel number 0127-00-001.00, which had an estimated acreage of 235.74 acres. Phase 1B is being developed on parcel map number 0106-00-001.00, which has an estimated acreage of 74.09 acres. Table V-5 below shows the parcels total assessment, the principal portion of the assessment and the annual assessment prior to subdivision and prepayments (but after the prepayment for the HOA parcels).

Table V-5
Assessments Prior to Subdivision and Prepayments

Tax Parcel Number	Assessment	Principal Portion of Assessment	Annual Assessment	Annual Credit	Annual Payment
0127-00-001.00	\$17,039,312	\$8,017,721	\$535,949	\$278,256	\$257,693
0106-00-002.00	\$11,525,588	\$5,423,279	\$362,522	\$188,215	\$174,307
Total	\$28,564,899	\$13,441,000	\$898,471	\$466,471	\$432,000

The Assessment for each these two parcels was assigned in proportion to the number of lots or units projected to be platted or built on each parcel and the respective Equivalent Units for each class of property. The Assessment for each parcel will be reapportioned upon each parcel's subdivision. Previously, 845 units were projected to be platted in the districts. However, the developer reduced the number of units to be plated by 117 to 733 units, which includes the six prepaid HOA parcels. Per the terms of the indenture, a mandatory prepayment of assessments for these 117 units was paid to the trustee for redemptions of bonds. Total original Assessments and the projected number of units and the revised number of units and revised principal portion of assessments resulting from this reduction is shown in Table V-6 below.

Table V-6
Projected Number of Units and
Total Assessment

Parcel	Original Projected Units	Original Principal Portion of Assessment	Revised Units	Revised Principal Portion of Assessment
Parcel # 0127-00-001.00 (Phase 1A)				
Class 1	95	\$4,370,422.30	91	\$4,186,404.52
Class 2	73	\$1,175,413.57	81	\$1,304,226.02
Class 3	215	\$2,472,738.93	200	\$2,300,222.26
Class 7	3	\$6,900.67	3	\$6,900.67
Total	386	\$8,025,475.47	375	\$7,797,753.47
Parcel # 0106-00-002.00 (Phase 1B)				
Class 4	80	\$1,840,177.80	62	\$1,426,137.80
Class 5	53	\$609,558.90	114	\$1,311,126.69
Class 6	323	\$2,971,887.16	179	\$1,646,959.14
Class 7	3	\$6,900.67	3	\$6,900.67
Total	459	\$5,428,524.53	358	\$4,391,124.29

According to Lancaster County, seven plats on Phase 1A subdivision have been recorded as of January 1, 2008 for all 372 lots. This represents the total number of lots that were projected to be platted on parcel number 0127-00-001.00. Two additional plats for Phase 1B with a total of 257 lots have also been recorded on parcel number 0106-00-002.00. According to the Rate and Method of Apportionment, "upon the subdivision of any parcel, the Assessment for the parcel prior to the subdivision shall be allocated to each new parcel in proportion to the Equivalent Units of each parcel and the Assessment for the undivided parcel prior to the subdivision." The allocation of the Assessment shall be made pursuant to the following formula:

$$A = B \times (C / D)$$

Where the terms have the following meanings:

A = the Assessment of the new parcel

B = the Assessment of the undivided parcel prior to the subdivision

C = the Equivalent Units of the new parcel

D = the sum of the Equivalent Units for all of the new parcels that result from the subdivision

One full prepayment of Assessments in the amount of \$46,004.45 has been paid for one lot of Phase 1A. Assessments in the amount of \$13,814.16 for the six HOA properties were paid at the issuance of bonds. As mentioned above, mandatory prepayment for 117 units in the amount of \$1,426,137.83 have been prepaid due to reduction in the number of units that are projected to be platted. Partial prepayments of Assessments in the amount of \$4,701,326.19 have been paid for 304 lots of Phase 1A and 35 lots of Phase 1B that have been sold to different entities. These prepaid units are shown in Table V-7 below. These prepayments have resulted in a total reduction of the principal portion of the assessments of \$6,187,282.63, resulting in total outstanding principal assessments of \$7,266,717.37.

Table V-7
Assessments Post Prepayments

Lot Type	Property Class	Prepaid Units	Principal Assessment per Unit Paid	Total Principal Assessments per Class Paid
Full Prepayment				
Lakefront	One	1	\$46,081.55	\$46,004.45
HOA	Seven	6	\$2,302.36	\$13,814.16
Sub-total		7		\$59,818.61
Mandatory Prepayment				
Lakefront	One	2	\$46,004.45	\$92,008.90
Lakeview	Three	12	\$11,501.11	\$138,013.32
Lakeview	Four	18	\$23,002.22	\$414,039.96
Interior	Six	85	\$9,200.89	\$782,075.65
Sub-total		117		\$1,426,137.83
Partial Prepayment				
Lakefront	One	90	\$32,487.40	\$2,923,866.00
Lakeview	Two	62	\$8,880.88	\$550,614.56
Interior	Three	152	\$6,343.49	\$964,210.48
Lakefront	Four	8	\$13,481.72	\$107,853.76
Lakeview	Five	14	\$6,343.49	\$88,808.86
Interior	Six	13	\$5,074.81	\$65,972.53
Sub-total		339		\$4,701,326.19
Total:				\$6,187,282.63

As of May 1, 2008, Series A Bonds in the amount of \$1,539,000.00 and Series B Bonds in the amount of \$4,701,000.00 have been redeemed. This has resulted in reduction in principal, interest, and annual assessments each year. The principal outstanding of the Series A and B Bonds is equal to \$4,495,000.00 and \$2,719,000.00, respectively. Table V-8 on the following page shows the aggregate Series A and B Bonds redeemed and outstanding as of May 1, 2008.

Table V-8
Bond Redeemed Through
May 1, 2008

Bonds	Series A	Series B	Total
Original Par	\$6,034,000	\$7,420,000	\$13,454,000
Redeemed	(\$1,539,000)	(\$4,701,000)	(\$6,240,000)
Outstanding	\$4,495,000	\$2,719,000	\$7,214,000

Table V-9 illustrates the annual assessment rates and assessment code for each property classification in the district for annual assessment to be imposed 2008.

Table V-9
Annual Special Assessment Rates and
Assessment Area Code

Classification Property	Phase	Number of Parcels	Code	Annual Payment per Parcel	Total Annual Payment
Interior	1A	152	92A	\$402.82	\$61,228.28
Lakefront	1A	90	92B	\$1,049.00	\$94,410.14
Lakeview	1A	62	92C	\$563.94	\$34,964.57
Interior	1B	13	92D	\$322.25	\$4,189.30
Lakefront	1B	8	92E	\$724.09	\$5,792.72
Lakeview	1B	14	92F	\$402.82	\$5,639.45
Interior	1A	48	92G	\$787.99	\$37,823.45
Lakeview	1A	19	92I	\$1,103.18	\$20,960.50
Interior	1B	102	92J	\$630.39	\$64,299.87
Lakefront	1B	54	92K	\$1,695.33	\$91,547.85
Lakeview	1B	66	92L	\$787.99	\$52,007.25
Parent Parcel	1B	98	92M	\$67,136.63	\$67,136.63
Prepaid parcels	1A	1	9N	\$0.00	\$0.00
Total		727			\$540,000.00

B. DELINQUENT SPECIAL ASSESSMENTS

The annual payment imposed in 2007 for collection in 2008 was \$379,167.86 and \$100,832.14 for the Assessment Part A and Assessment Part B, respectively. The annual payment was required to be paid on January 15, 2008. The annual payment imposed in 2007 in the aggregate amount of \$480,000.00 has been collected and transferred to the trustee, representing 100 percent of the annual payment due in 2008. As a result, there are no delinquent annual payments for fiscal year 2008.

The annual assessment imposed in 2008 for collection in 2009 is equal to \$412,421.72 for the Assessment Part A and \$185,108.77 for the Assessment Part B. As a result, the total annual payment due on January 15, 2009 is equal to \$540,000. Accordingly, there are no delinquent annual payments outstanding for fiscal year 2009 at this time.

C. COLLECTION EFFORTS

There are no collection efforts at this time.

VI. DISTRICT FINANCIAL INFORMATION

The information provided in this section is to meet the requirements for the annual report as provided for in Section 3(a) of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

All information in this section is provided as of June 30, 2008, unless otherwise stated.

A. FUND BALANCES

The fund balances as of June 30, 2008 for all of the funds and accounts provided for in the Indenture of Trust are included in Table IV-1 of Section IV, "Trustee Accounts," of this report.

B. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT

There have been no changes to the rate and method of apportionment for special taxes.

C. ANNUAL PAYMENTS LEVIED AND COLLECTED

The annual assessments imposed in 2008 for collection in 2009 are described in Section V of this report, "District Operations." A summary of the annual assessments is shown in Table VI-2 on the following page:

Annual Assessments Levied

The annual payment imposed in 2007 for collection in 2008 was \$379,167.86 and \$100,832.14 for the Assessment Part A and Assessment Part B, respectively. The annual payment was required to be paid on January 15, 2008. The total annual payment of \$480,000.00 has been collected and transferred to the trustee, representing 100 percent of the annual payment due in 2008. As a result, there are no delinquent annual payments for fiscal year 2008.

The Annual Assessment imposed in 2008 for collection in 2009 is equal to \$412,421.72 for the Assessment Part A and \$185,108.77 for the Assessment Part B. The annual payment totaling \$540,000 is due on January 15, 2009. Accordingly, there are no delinquent annual payments outstanding for fiscal year 2009 at this time.

Table VI-1 shows the annual payment amount imposed on the district for collection years 2008 and 2009, the collection amount as of August 19, 2008, and the amount of delinquent assessments outstanding.

Table VI-1
Annual Assessments

Collection Year	Annual Assessment	Amount Collected	Percent Delinquent
2008	\$480,000	\$480,000	0.00%
2009	\$540,000	\$0	0.00%

Outstanding Delinquencies

As of August 19, 2008, there are no assessment payment delinquencies greater than six months.

Foreclosure Proceedings

As of August 19, 2008, there are no assessments which: (1) are subject to the institution of foreclosure proceedings (but as to which such proceedings have not been instituted); (2) are currently subject to foreclosure proceedings which have not been concluded; (3) have not been reduced to judgment but not collected; or (4) have been reduced to judgment and collected.

Principal District Taxpayers

Table VI-2 below lists the district taxpayers responsible for payment of more than five percent of the levy of assessments for fiscal year 2009, the amount of levy of assessments against such landowners and the percentage of such assessments relative to the entire levy of assessments within the district.

**Table VI-2
Principal District Taxpayers**

Taxpayer	Special Assessment	Percent of Total
Craft Development LLC	\$335,163	62.1%
Individual Homeowners	\$204,837	37.9%
Total	\$540,000	100.0%

Assessment Prepayments

Table VI-3 below shows provides a summary of the prepayments for the Edgewater development as of July 31, 2008.

**Table VI-3
District Prepayments**

Lot Type	Property Class	Prepaid Units	Principal Assessment per Unit Paid	Total Principal Assessments per Class Paid
Full Prepayment				
Lakefront	One	1	\$46,081.55	\$46,004.45
HOA	Seven	6	\$2,302.36	\$13,814.16
Sub-total		7		\$59,818.61
Mandatory Prepayment				
Lakefront	One	2	\$46,004.45	\$92,008.90
Lakeview	Three	12	\$11,501.11	\$138,013.32
Lakeview	Four	18	\$23,002.22	\$414,039.96
Interior	Six	85	\$9,200.89	\$782,075.65
Sub-total		117		\$1,426,137.83
Partial Prepayment				
Lakefront	One	90	\$32,487.40	\$2,923,866.00
Lakeview	Two	62	\$8,880.88	\$550,614.56
Interior	Three	152	\$6,343.49	\$964,210.48
Lakefront	Four	8	\$13,481.72	\$107,853.76
Lakeview	Five	14	\$6,343.49	\$88,808.86
Interior	Six	13	\$5,074.81	\$65,972.53
Sub-total		339		\$4,701,326.19
Total:				\$6,187,282.63

D. SIGNIFICANT AMENDMENTS TO LAND USE OR LEGAL CHALLENGES TO CONSTRUCTION OF THE DEVELOPMENT OR THE DISTRICT

Neither County nor the Administrator has actual knowledge to any significant amendments to the land use entitlements or legal challenges to the construction of the Development.

E. CHANGES TO THE CONSTRUCTION OF THE 2003 PROJECT

Other than the information reported by the developer in its quarterly continuing disclosure statements, the administrator has no knowledge of any changes approve by the County for the construction of the 2003 Project as stated in the Limited Offering Memorandum.

F. DEBT SERVICE AND ASSESSMENT REVENUES SCHEDULES

Debt service and assessment revenue schedules for Series 2003 A and B are shown in Tables VI-4 and VI-5 on the following page.

Table VI-4
Revised Series 2003A Bonds Debt Service Schedule

Year	Principal	Interest & Administrative Expenses	Annual Assessment	Annual Credit	Annual Payment
2003	\$0	\$434,838	\$434,838	\$434,838	\$0
2004	\$0	\$434,425	\$434,425	\$434,425	\$0
2005	\$65,000	\$434,467	\$499,467	\$68,467	\$431,000
2006	\$62,000	\$383,743	\$445,743	\$68,743	\$377,000
2007	\$62,000	\$354,100	\$416,100	\$36,932	\$379,168
2008	\$61,000	\$351,422	\$412,422	\$32,422	\$380,000
2009	\$64,000	\$365,489	\$429,489		
2010	\$69,000	\$361,539	\$430,539		
2011	\$74,000	\$357,255	\$431,255		
2012	\$79,000	\$352,636	\$431,636		
2013	\$84,000	\$347,683	\$431,683		
2014	\$90,000	\$342,395	\$432,395		
2015	\$96,000	\$336,705	\$432,705		
2016	\$103,000	\$330,613	\$433,613		
2017	\$110,000	\$324,049	\$434,049		
2018	\$118,000	\$317,014	\$435,014		
2019	\$126,000	\$309,440	\$435,440		
2020	\$135,000	\$301,327	\$436,327		
2021	\$144,000	\$292,605	\$436,605		
2022	\$154,000	\$283,277	\$437,277		
2023	\$164,000	\$273,272	\$437,272		
2024	\$176,000	\$262,591	\$438,591		
2025	\$188,000	\$251,098	\$439,098		
2026	\$201,000	\$238,791	\$439,791		
2027	\$215,000	\$225,603	\$440,603		
2028	\$230,000	\$211,465	\$441,465		
2029	\$245,000	\$196,309	\$441,309		
2030	\$262,000	\$180,134	\$442,134		
2031	\$281,000	\$162,805	\$443,805		
2032	\$300,000	\$144,182	\$444,182		
2033	\$321,000	\$124,268	\$445,268		
2034	\$343,000	\$102,923	\$445,923		
Total	\$4,622,000	\$9,388,463	\$14,010,463	\$1,075,827	\$1,567,168

Table VI-5
Revised Series 2003B Bonds Debt Service Schedule

Year	Principal	Interest & Administrative Expenses	Annual Assessment	Annual Credit	Annual Payment
2003	\$0	\$464,475	\$464,475	\$464,475	\$0
2004	\$0	\$464,046	\$464,046	\$32,046	\$432,000
2005	\$0	\$420,851	\$420,851	\$72,851	\$348,000
2006	\$0	\$305,347	\$305,347	\$162,347	\$143,000
2007	\$0	\$200,871	\$200,871	\$100,039	\$100,832
2008	\$0	\$185,109	\$185,109	\$25,109	\$160,000
2009	\$0	\$185,109	\$185,109		
2010	\$0	\$185,109	\$185,109		
2011	\$0	\$185,109	\$185,109		
2012	\$0	\$185,109	\$185,109		
2013	\$2,719,000	\$185,109	\$2,904,109		
Total	\$2,719,000	\$2,966,243	\$5,685,243	\$856,867	\$1,183,832

VII. SIGNIFICANT EVENTS

A. DEVELOPER SIGNIFICANT EVENTS

Pursuant to the Continuing Disclosure Agreement, developer significant events include the following:

- (i) failure to pay any real property taxes (including the assessments) levied within the district on a parcel owned by the developer or any affiliate thereof;
- (ii) material damage to or destruction of any development or improvements within the district owned by the developer;
- (iii) the filing by or against the developer of any affiliate thereof, the general partner or any member of the developer or any owners of more than 25 percent interest in the developer of any petition or other proceeding under any bankruptcy, insolvency or similar law or any determination that the developer or an owner of interest in the developer or a subsidiary of the developer or any affiliate thereof is unable to pay its debts as they become due; and
- (iv) the filing of any lawsuit with claim for damages in excess of \$1,000,000 against the developer which may adversely affect the completion of the development of the district or the construction of the 2003 project or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the developer or any affiliate of the developer who owns property in the district.

Inquiries have been made with the developer regarding the occurrence of any significant event and they have reported that no significant events have occurred as of June 30, 2008.

B. LISTED EVENTS

Pursuant to the Continuing Disclosure Agreement, the County's listed events include the following:

- (i) Delinquency in payment when due of principal of or interest on the bonds;
- (ii) Occurrence of any material default under the Indenture (other than as described in clause (i) above);
- (iii) Amendment to the Indenture modifying the rights of the bondholders;
- (iv) Giving of notice of optional or unscheduled redemption of bonds;
- (v) Defeasance of bonds or any portion thereof;
- (vi) Any change in any ratings, if any, on the bonds;
- (vii) Adverse tax opinions or events affecting the tax-exempt status of the bonds;
- (viii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (ix) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (x) Substitution of the credit or liquidity providers or their failure to perform;
- (xi) Release, substitution, or sale of property securing repayment of the bonds; and
- (xii) The continuing disclosure event notices provided to the administrator by the developer as more particularly set forth in the Developer's Continuing Disclosure Agreement until such time as the developer is (in the aggregate) responsible for payment of less than twenty percent (20%) of the special assessments.

To the knowledge of the administrator, no listed events have occurred as of June 30, 2008.