

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

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

Prepared by

MUNICAP, INC.

April 10, 2009

**DEVELOPMENT ACTIVITY AND
DISCLOSURE REPORT**
For the Period Ending December 31, 2008

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I. UPDATED INFORMATION

Information updated for the period ending December 31, 2008 is as follows:

- As of December 31, 2008, the developer reports that \$15,037,863 had been expended for the construction of the public improvements. Of this amount, \$10,280,634 was funded with the Series 2003A and B bond proceeds.
- As of December 31, 2008, the developer reports that 347 lots have been sold and closed to builders. Of this amount, 305 lots are located in Phase I-A of the development, and 42 lots are located in Phase I-B.
- The annual assessment imposed in 2008 for collection in 2009 is equal to \$412,422 for the Assessment Part A and \$185,109 for the Assessment Part B. The aggregate annual payment of \$540,000 was to be collected by January 15, 2009. As of March 26, 2009, Lancaster County reports that annual assessments in the amount of \$513,155 have been collected on the parcels within the district. According to the county, \$26,845 remains outstanding on 45 parcels owned by individual property owners, representing 4.97 percent of the amount to be collected.

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 (Series 2003A) and \$7,420,000 (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 December 31, 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

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.” At the time the Series 2003A and B Bonds were issued, all of the government permits and approvals for the construction of the Edgewater Development had been obtained. Table III-2 shows the status of permits.

Table III-2
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 THE PUBLIC IMPROVEMENTS

As of December 31, 2008, the developer reports that the public improvements to be funded with the Series 2003A and B Bonds are complete and operational except for the landscaping, which is ongoing as phases are completed. Table III-2 below 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				
<i>Offsite</i>				
Water Main	7/2002	Complete	7/2002	Complete
Sewer Main	7/2002	Complete	7/2002	Complete
Catawba Ridge Parkway		Complete		Complete
<i>Onsite</i>				
Roadways	7/20/2003	Complete	11/2003	Complete
Water and 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

As of December 31, 2008, the developer reports that \$15,037,863 had been expended for the construction of the public improvements. Of this amount, \$10,280,634 was funded with the Series 2003A and B bond proceeds. Table III-5 on the following page shows the public improvements, the original budget, budget changes, the revised budget and the amount spent by line item as reported by the developer as of December 31, 2008.

Table III-4
Public Improvements

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
<i>Phase I-A</i>					
Site Preparation	\$582,980	\$1,064,369	\$1,647,349	\$1,647,349	100%
Sanitary Sewer	\$1,440,116	\$650,018	\$2,090,134	\$2,090,134	100%
Water Service	\$815,140	(\$50,939)	\$764,201	\$764,201	100%
Storm Sewer	\$226,892	\$231,980	\$458,872	\$458,872	100%
Paving & Curbing	\$792,035	\$57,080	\$849,115	\$849,115	100%
Engineering & Soft Costs:					
Contingency 15 %	\$578,575	\$848,903	\$1,427,478	\$1,427,478	100%
Construction Monitoring	\$192,858	\$121,775	\$314,633	\$314,633	100%
Engineering Surveying 10%	\$385,716	\$263,658	\$649,374	\$649,374	100%
Elevated Storage Tank	\$1,250,000	(\$351,380)	\$898,620	\$898,620	100%
Subtotal Phase IA	\$6,264,312	\$2,835,465	\$9,099,777	\$9,099,777	100%
<i>Phase I-B</i>					
Site Preparation	\$275,280	\$1,049,573	\$1,324,853	\$1,324,853	100%
Sanitary Sewer	\$786,549	\$967,479	\$1,754,028	\$1,754,028	100%
Water Service	\$334,655	\$260,994	\$595,649	\$595,649	100%
Storm Sewer	\$553,380	\$347,469	\$900,849	\$900,849	100%
Paving & Curbing	\$575,302	\$218,162	\$793,464	\$793,464	100%
Engineering & Soft Costs	\$757,550	(\$133,616)	\$623,934	\$623,934	100%
Subtotal Phase IB	\$3,282,716	\$2,710,060	\$5,992,776	\$5,992,776	100%
Total Public Improvements	\$9,547,028	\$5,545,525	\$15,092,553	\$15,092,553	100%

D. STATUS OF DEVELOPMENT

As of December 31, 2008, the developer reports that 347 lots have been sold and closed to builders. Of this amount, 305 lots are located in Phase I-A of the development, and 42 lots are located in Phase I-B. Table III-5 below shows the number of lots sold and closed by product type as reported by the developer as of December 31, 2008.

Table III-5
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	13	88	13
Lake View	65	16	65	16
Interior	152	13	152	13
Total	305	42	305	42

E. 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, 2007, interest paid, additional proceeds, disbursements, and account balances for each fund as of December 31, 2008, are shown on the following table.

**Table IV-1
Account Balances**

Fund	Balance 12/31/07	Interest Paid	Additional Proceeds	Disburse- ments	Balance 12/31/08
Series A Interest Account	\$340	\$60	\$309,079	\$309,478	\$1
Series B Interest Account	\$900	\$54	\$168,330	\$169,203	\$80
Revenue Fund	\$147,647	\$6,611	\$493,773	\$580,783	\$67,247
Administrative Expense Fund	\$756	\$297	\$40,000	\$28,088	\$12,965
Series A Debt Service Reserve Fund	\$367,690	\$12,601	\$0	\$22,016	\$358,275
Series A Principal Account	\$0	\$0	\$75,000	\$75,000	\$0
Series B Principal Account	\$0	\$0	\$114,000	\$114,000	\$0
Series B Debt Service Reserve Fund	\$299,100	\$10,034	\$0	\$37,182	\$271,952
Series A Prepayment Fund	\$3,262	\$42	\$11,738	\$15,042	\$0
Series B Prepayment Fund	\$22,170	\$714	\$117,982	\$114,714	\$26,152
Total	\$841,865	\$30,414	\$1,329,901	\$1,465,507	\$736,673

- Additional proceeds to the Series A and B Interest Accounts were transfers from the Revenue Fund and transfers of investment income 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 assessment collections from the county and transfers of investment income in excess of the reserve requirement 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 Revenue Fund for the payment of debt service.
- Additional proceeds to the Series A and B Prepayment Accounts were prepayment deposits on lots within the development which were used to redeem a portion of the Series 2003 A and B Bonds.

The majority of the account balances are invested in First American Government Obligation securities earning between 0.68 and 0.69 percent. Table IV-2 on the following page shows the average return on the investments in each fund or account as of December 31, 2008.

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 the Series A and Series B Interest Accounts will remain in their accounts to pay interest on the Series 2003A and B Bonds. Investment income in the Revenue Fund will remain in the fund and be used for the purposes of the fund. The investment income from the Series 2003A and B Prepayment Fund will be transferred to the Series 2003A and B Interest Accounts, respectively for paying interest on the Series 2003A and B Bonds.

Table IV-2
Rate of Return

Account	Rate of Return
Series A Interest Account	0.68%
Series B Interest Account	0.69%
Revenue Fund	0.68%
Administrative Expense Fund	0.68%
Series A Reserve Fund	0.68%
Series B Reserve Fund	0.68%
Series B Prepayment Fund	0.68%

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 \$412,422 for the Assessment Part A and \$185,109 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	\$154,516	\$83,269	\$237,785
Interest payment on November 1, 2009	\$154,516	\$83,269	\$237,785
Principal payment on November 1, 2009	\$61,000	\$0	\$61,000
<i>Subtotal Annual Payments</i>	\$370,031	\$166,539	\$536,570
Administrative expenses	\$27,585	\$12,415	\$40,000
Contingency	\$14,806	\$6,155	\$20,960
<i>Subtotal expenses</i>	\$412,422	\$185,109	\$597,530
Revenue Fund	(\$20,064)	(\$15,728)	(\$35,792)
Series A & B interest sub-accounts	\$0	\$0	\$0
Reserve Fund Interest Income	(\$12,358)	(\$9,381)	(\$21,739)
<i>Subtotal funds available</i>	(\$32,422)	(\$25,109)	(\$57,530)
Annual Revenue Requirement	\$380,000	\$160,000	\$540,000

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 2003A Bonds in amount of \$1,539,000 have been redeemed through the debt service payment of May 1, 2008. As a result, the semi-annual interest payment on the Series 2003A Bonds is \$158,606 and represents an annual coupon of 6.875 percent on the outstanding bonds of \$4,495,000.

Series 2003B Bonds in the amount of \$4,701,000 have been redeemed through the debt service payment of May 1, 2008. As a result, the semi-annual interest payment on the Series 2003B Bonds is \$83,269, which represents an annual coupon of 6.125 percent on the outstanding bonds of \$2,719,000.

A principal payment of \$61,000 for the Series 2003A Bonds is due on November 1, 2009. As a result, total debt service on the Series 2003A and B Bonds is \$370,031 and \$166,539, 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. The cost of the administrator for 2009 is estimated to be \$15,000. The county expenses are estimated to be \$17,500. As a result, total administrative expenses for 2009 are estimated to be \$40,000.

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 2003A and B Interest Sub-Accounts were \$440 and \$1,496, respectively. These funds will be used to pay interest on the Series 2003A 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. A portion of these funds (together with the balances held in the interest accounts) in the amount of \$216,076 and \$81,773 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 2003A and B Bonds is equal to \$154,516 and \$83,269, respectively. A principal payment of \$62,000 is due on November 1, 2008 on Series A Bonds. Accordingly, total debt service due on Series 2003A and B Bonds on November 1, 2008 is equal to \$299,785. The resulting balance in the amount of \$35,792 (\$335,577 - \$299,785 = \$35,792) 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 at July 31, 2008	\$236,140	\$97,502	\$333,641
Interest sub-account balance at July 31, 2008	\$440	\$1,496	\$1,936
<i>Subtotal available funds</i>	\$236,579	\$98,998	\$335,577
Debt Service @ November 1, 2008	(\$154,516)	(\$83,269)	(\$237,785)
Principal payment on November 1, 2008	(\$62,000)	\$0	(\$62,000)
<i>Subtotal debt service November 1, 2008</i>	(\$216,516)	(\$83,269)	(\$299,785)
FY07 administrative expenses	\$0	\$0	\$0
<i>Total expenses</i>	(\$216,516)	(\$83,269)	(\$299,785)
Available revenue account	\$20,064	\$15,728	\$35,792

Reserve Fund Interest Income

As of July 31, 2008, the balance on the Series A Reserve Fund was \$359,243. The reserve requirement for Series 2003A Bonds is equal to 7.969 percent of the bonds outstanding at the date of valuation. The outstanding Series 2003A Bonds at the date of valuation were \$4,718,000. Accordingly, the reserve requirement for the Series 2003A Bonds is equal to \$359,243. Excess funds from the Series 2003A 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, which will be made available to pay debt service on the Series 2003A Bonds in 2009.

As of July 31, 2008, the balance on the Series B Reserve Fund was \$280,600. The reserve requirement for Series 2003B Bonds is equal to ten percent of bonds outstanding at the date of valuation. The outstanding Series 2003B Bonds at the date of valuation were \$2,806,000. 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 \$9,381, which will be made available to pay debt service on the Series 2003B 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 on the following page.

Table V-3
Summary Annual Credit

	Assessment Part A	Assessment Part B
Annual Assessment	\$412,422	\$185,1099
Annual Revenue Requirement	\$380,000	\$160,000
Annual Credit	\$32,422	\$25,109

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	\$412,422	\$185,109
Annual Credit	\$32,422	\$25,109
Annual Payment	\$380,000	\$160,000

Table V-5 illustrates the annual assessment rates and assessment code for each property classification in the district for annual assessment to be imposed 2008.

Table V-5
**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	\$403	\$61,228
Lakefront	1A	90	92B	\$1,049	\$94,410
Lakeview	1A	62	92C	\$564	\$34,965
Interior	1B	13	92D	\$322	\$4,189
Lakefront	1B	8	92E	\$724	\$5,793
Lakeview	1B	14	92F	\$403	\$5,639
Interior	1A	48	92G	\$788	\$37,823
Lakeview	1A	19	92I	\$1,103	\$20,961
Interior	1B	102	92J	\$630	\$64,300
Lakefront	1B	54	92K	\$1,695	\$91,548
Lakeview	1B	66	92L	\$788	\$52,007
Parent Parcel	1B	98	92M	\$67,137	\$67,137
Prepaid parcels	1A	1	9N	\$0	\$0
Total		727			\$540,000

B. DELINQUENT SPECIAL ASSESSMENTS

The annual payment imposed in 2007 for collection in 2008 was \$379,168 and \$100,832 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 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 \$412,422 for the Assessment Part A and \$185,109 for the Assessment Part B. The aggregate annual payment of \$540,000 was to be collected by January 15, 2009. As of March 26, 2009, Lancaster County reports that annual assessments in the amount of \$513,155 have been collected on the parcels within the district. According to the county, \$26,845 remains outstanding on 45 parcels owned by individual property owners, representing 4.97 percent of the amount to be collected.

C. COLLECTION EFFORTS

According to Lancaster County, unpaid parcels are considered delinquent after March 17th of each collection year. Delinquency notices are sent in April and May to unpaid parcels. According to the county, the tax sale occurs in October or November.

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 December 31, 2008, unless otherwise stated.

A. FUND BALANCES

The fund balances as of December 31, 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 assessments.

C. ANNUAL PAYMENTS LEVIED AND COLLECTED

The annual assessments imposed in 2008 for collection in 2009 are described in Section V, "District Operations," of this report.

Annual Assessments Levied

The annual payment imposed in 2007 for collection in 2008 was \$379,168 and \$100,832 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 has been collected and transferred to the trustee, representing 100 percent of the annual payment due in 2008.

The Annual Assessment imposed in 2008 for collection in 2009 is equal to \$412,421 and \$185,109 for the Assessment Part A and Assessment Part B, respectively. The annual payment was required to be paid on January 15, 2009. As of March 26, 2009, Lancaster County reports that annual assessments in the amount of \$513,155 have been collected on the parcels within the district. According to the county, \$26,845 remains outstanding on 45 parcels owned by individual property owners, representing 4.97 percent of the amount to be collected.

Table VI-1 shows the annual payment amount imposed on the district for collection years 2008 and 2009, the collection amount as of March 26, 2009, 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	\$513,155	4.97%

Outstanding Delinquencies

Table VI-2 on the following page shows the amount of annual assessment delinquencies greater than six months, one year and two years.

Table VI-2
Delinquent Annual Assessments

	Total
Six months delinquent	\$0
One year delinquent	\$0
Two years delinquent	\$0
Total	\$0

The delinquent annual assessments do not amount to more than ten percent of the annual assessments due in any year.

Foreclosure Proceedings

As of December 31, 2008, there are no annual assessments subject to foreclosure proceedings.

Table VI-3
Annual Assessments Subject to Foreclosure Proceedings

	Total
Subject to foreclosure but not yet instituted	\$0
Foreclosure instituted but not concluded	\$0
Judgment obtained but not yet collected	\$0
Judgment collected	\$0
Total	\$0

Principal District Taxpayers

Table VI-4 below shows the principal district taxpayers representing more than five percent of the annual assessments to be collected in fiscal year 2009, the amount of annual assessments to be collected and the percent of each taxpayer in the relation to the total amount of annual assessments to be collected.

Table VI-4
Principal District Taxpayers

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

Assessment Prepayments

Table VI-5 on the following page shows provides a summary of the prepayments for the Edgewater development as of December 31, 2008.

Table VI-5
District Prepayments

Lot Type	Property Class	Prepaid Units	Principal Assessment per Unit Paid	Total Principal Assessments per Class Paid
Full Prepayment				
Lakefront	One	1	\$46,004	\$46,004
HOA	Seven	6	\$2,302	\$13,814
<i>Sub-total</i>		7		<i>\$59,819</i>
Mandatory Prepayment				
Lakefront	One	2	\$46,004	\$92,009
Lakeview	Three	12	\$11,501	\$138,013
Lakeview	Four	18	\$23,002	\$414,040
Interior	Six	85	\$9,201	\$782,076
<i>Sub-total</i>		117		<i>\$1,426,138</i>
Partial Prepayment				
Lakefront	One	90	\$32,487	\$2,923,866
Lakeview	Two	62	\$8,881	\$559,495
Interior	Three	152	\$6,343	\$964,210
Lakefront	Four	9	\$13,482	\$121,335
Lakeview	Five	15	\$6,343	\$95,152
Interior	Six	13	\$5,075	\$65,973
<i>Sub-total</i>		342		<i>\$4,730,032</i>
Total		466		\$6,215,989

Bonds Outstanding

Table VI-6 below shows the original amount of bonds outstanding, prior redemptions from prepayments and mandatory sinking funds installments, the amount of bonds redeemed with sinking fund installments and prepayments in fiscal year 2008 and the aggregate amount of Series 2003A and B Bonds outstanding as of December 31, 2008.

Table VI-6
Bonds Outstanding

Series	Original Amount	Prior Redemptions	Bonds Redeemed in 2008	Total Bonds Redeemed	Aggregate Bonds Outstanding
2003A Bonds	\$6,034,000	\$1,526,000	\$77,000	\$1,603,000	\$4,431,000
2003B Bonds	\$7,420,000	\$4,614,000	\$114,000	\$4,728,000	\$2,692,000
Total	\$13,454,000	\$6,034,000	\$191,000	\$6,331,000	\$7,123,000

D. SIGNIFICANT AMENDMENTS TO LAND USE OR LEGAL CHALLENGES

There have been no 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

As of December 31, 2008, there have been no changes to the 2003 project to be constructed. The status of the project and development has been provided in Section III, "Development Activity," of this report.

F. DEBT SERVICE AND ASSESSMENT REVENUES SCHEDULES

Tables VI-7 and VI-8 show debt service and assessment revenue schedules for the Series 2003A and B Bonds.

Table VI-7
Revised Series 2003A Bonds Debt Service Schedule

Year	Principal	Interest & Administrative Expenses	Annual Assessment	Annual Credit	Annual Payment
2008	\$61,000	\$351,422	\$412,422	\$32,422	\$380,000
2009	\$63,000	\$342,828	\$405,828		
2010	\$69,000	\$338,497	\$407,497		
2011	\$74,000	\$333,753	\$407,753		
2012	\$79,000	\$328,665	\$407,665		
2013	\$84,000	\$323,234	\$407,234		
2014	\$90,000	\$317,459	\$407,459		
2015	\$96,000	\$311,272	\$407,272		
2016	\$103,000	\$304,672	\$407,672		
2017	\$110,000	\$297,590	\$407,590		
2018	\$118,000	\$290,028	\$408,028		
2019	\$126,000	\$281,915	\$407,915		
2020	\$135,000	\$273,253	\$408,253		
2021	\$144,000	\$263,972	\$407,972		
2022	\$154,000	\$254,072	\$408,072		
2023	\$164,000	\$243,484	\$407,484		
2024	\$176,000	\$232,209	\$408,209		
2025	\$188,000	\$220,109	\$408,109		
2026	\$201,000	\$207,184	\$408,184		
2027	\$215,000	\$193,365	\$408,365		
2028	\$230,000	\$178,584	\$408,584		
2029	\$244,000	\$162,772	\$406,772		
2030	\$262,000	\$145,997	\$407,997		
2031	\$281,000	\$127,984	\$408,984		
2032	\$300,000	\$108,665	\$408,665		
2033	\$321,000	\$88,040	\$409,040		
2034	\$343,000	\$65,972	\$408,972		
Total	\$4,431,000	\$6,586,999	\$11,017,999	\$32,422	\$380,000

Table VI-8
Revised Series 2003B Bonds Debt Service Schedule

Year	Principal	Interest & Administrative Expenses	Annual Assessment	Annual Credit	Annual Payment
2008	\$0	\$171,868	\$171,868	\$25,109	\$160,000
2009	\$0	\$164,885	\$164,885		
2010	\$0	\$164,885	\$164,885		
2011	\$0	\$164,885	\$164,885		
2012	\$0	\$164,885	\$164,885		
2013	\$2,692,000	\$164,885	\$2,856,885		
Total	\$2,692,000	\$996,293	\$3,688,293	\$25,109	\$160,000

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 Craft Development, LLC regarding the occurrence of any significant event and they have reported that to their knowledge, no significant events have occurred as of December 31, 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.

The administrator does not have knowledge of any listed event as of the date of this report.