

**CITY OF HARDEEVILLE
ANDERSON TRACT MUNICIPAL IMPROVEMENT DISTRICT**

**HILTON HEAD LAKES, LLC
QUARTERLY REPORT
REQUIRED BY CONTINUING DISCLOSURE AGREEMENT
July 10, 2008**

**TO: CITY MANAGER, CITY OF HARDEEVILLE, SOUTH CAROLINA
MUNICIPAL, INC.**

The following information is provided by Hilton Head Lakes, LLC, a South Carolina limited liability company, (the "Developer") to the City Manager of City of Hardeeville, South Carolina, and Municipal, Inc., in compliance with Section 6 of the Continuing Disclosure Agreement dated April 1, 2008 by and among City of Hardeeville, South Carolina, Hilton Head Lakes, LLC, and Municipal, Inc.:

1. Status of Completion of the Series 2008 Project:

Public Improvement	Estimated Cost	Funds Advanced to Date	Percentage Complete
Lakeside Boulevard	\$6,491,473.00	\$3,090,375.50	47.61%
Landscaping Lakeside Blvd	\$2,296,874.00	\$13,351.65	.58%
Phase 1 Water and Sewer	\$2,087,616.00	\$1,372,480.43	65.74%
Highway 278 Entrance	\$267,740.00	\$36,802.79	13.75%
Engineering	\$75,000.00	\$0	0%
Fire and Police Site Improvements	\$2,000,000.00	\$0	0%
TOTAL	\$13,218,703.00	\$4,513,010.37	34.14%

2. Revisions or Updates to "The Series 2008 Project": It has been determined that the 3 Phase Power for Sanitary Sewer Pump Stations will not be a publicly owned improvement, and such improvements will not be paid for from the proceeds of the Municipal Improvement District Revenue Bonds.

3. Revisions or Updates to "The Development":

3.1 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.

3.2 Under the sub-heading of Development Agreement, the Developer and the City have entered into a Second Amendment to Development 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.

4. Revisions or Updates to "The Developer": None.

5. Changes in Ownership of any Parcel in the District: The following lots have been conveyed to third parties by the Developer:

- Lot 96 Hilton Head Lakes
- Lot 99 Hilton Head Lakes
- Lot 100 Hilton Head Lakes
- Lot 101 Hilton Head Lakes
- Lot 103 Hilton Head Lakes
- Lot 104 Hilton Head Lakes
- Lot 106 Hilton Head Lakes
- Lot 107 Hilton Head Lakes
- Lot 108 Hilton Head Lakes
- Lot 109 Hilton Head Lakes
- Lot 110 Hilton Head Lakes
- Lot 111 Hilton Head Lakes
- Lot 112 Hilton Head Lakes
- Lot 113 Hilton Head Lakes
- Lot 114 Hilton Head Lakes
- Lot 115 Hilton Head Lakes
- Lot 116 Hilton Head Lakes
- Lot 117 Hilton Head Lakes
- Lot 124 Hilton Head Lakes
- Lot 129 Hilton Head Lakes
- Lot 245 Hilton Head Lakes
- Lot 259 Hilton Head Lakes
- Lot 261 Hilton Head Lakes
- Lot 263 Hilton Head Lakes
- Lot 266 Hilton Head Lakes
- Lot 270 Hilton Head Lakes
- Lot 272 Hilton Head Lakes
- Lot 292 Hilton Head Lakes
- Lot 293 Hilton Head Lakes
- Lot 294 Hilton Head Lakes
- Lot 296 Hilton Head Lakes
- Lot 299 Hilton Head Lakes
- Lot 303 Hilton Head Lakes
- Lot 304 Hilton Head Lakes
- Lot 305 Hilton Head Lakes

Lot 327 Hilton Head Lakes
 Lot 328 Hilton Head Lakes
 Lot 332 Hilton Head Lakes
 Lot 344 Hilton Head Lakes
 Lot 345 Hilton Head Lakes
 Lot 346 Hilton Head Lakes
 Lot 347 Hilton Head Lakes
 Lot 348 Hilton Head Lakes
 Lot 350 Hilton Head Lakes
 Lot 351 Hilton Head Lakes
 Lot 352 Hilton Head Lakes
 Lot 353 Hilton Head Lakes
 Lot 354 Hilton Head Lakes
 Lot 355 Hilton Head Lakes
 Lot 357 Hilton Head Lakes
 Lot 359 Hilton Head Lakes
 Lot 360 Hilton Head Lakes
 Lot 361 Hilton Head Lakes
 Lot 365 Hilton Head Lakes
 Lot 366 Hilton Head Lakes
 Lot 368 Hilton Head Lakes
 Lot 369 Hilton Head Lakes

6. Building Permits Issued for any Parcel in the District: None.
7. Changes in the Plan to Develop the District: None, except as otherwise stated in this report.
8. Changes to the Development Schedule in "The Development": The Developer provides the following updated Development Schedule:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
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'	<u>39</u>	<u>40</u>	<u>40</u>	<u>39</u>	<u>39</u>	<u>39</u>	<u>39</u>	<u>39</u>	<u>39</u>	353
Subtotal	95	97	97	96	95	95	95	95	95	860
East Development Area										
Residential Units	<u>0</u>	<u>0</u>	<u>200</u>	<u>225</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>221</u>	<u>200</u>	<u>1,596</u>
Subtotal	95	97	297	321	345	345	345	316	295	1,596
Total										2,456

9. Updates to the Table "Estimated Sources and Use of Bond Proceeds": The amounts for Prepayment of Assessments are updated as follows:

<u>2008A</u>	<u>2008B</u>	<u>Total</u>
\$ 342,531.05	\$552,480.27	\$895,011.32

10. Changes in the Status of Approvals as set forth in "The Development": None.
11. Zoning or Land Use Entitlement Changes: None.
12. Material Legislative, Administrative or Judicial Challenges to the Series 2008 Project: None.
13. Written Notice of Default: None.
14. Material Changes in the Organization or Ownership of the Developer: None.

Dated July 9th, 2008

Hilton Head Lakes, LLC

a South Carolina limited liability company

By: Brinn Enterprises, Inc., Manager

By: William Joseph Brinn, Jr.

Name: William J. Brinn, Jr.

Title: President