

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 October 10, 2008. 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 October 10, 2008, unless otherwise stated, and no representation is made that the information contained herein is indicative of information that may pertain since the end of the period covered by this report or in the future.

1) Completion of the Public Improvements

A) Public Improvements Budget:

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Lakeside Boulevard	\$6,491,473	\$0	\$6,491,473	\$4,414,422.74	68.00%
Landscaping Lakeside Boulevard	\$2,296,874	\$0	\$2,296,874	\$33,938.74	1.48%
Phase 1 Water and Sewer	\$2,087,616	\$0	\$2,087,616	\$1,558,705.21	74.66%
Highway 278 Entrance	\$267,740	\$0	\$267,740	\$153,804.28	57.45%
Engineering	\$75,000	\$0	\$75,000	\$74,802.50	99.74%
Fire and Police Site Improvements	\$2,000,000	\$0	\$2,000,000	\$1,080,000.00	54.00%
Total	\$13,218,703	\$0	\$13,218,703	\$7,315,673.47	55.34%

B) Status of Construction

- (i) **Status of construction of Highway 278 Entrance:** The final grading of rights of way and shoulders and grassing of same remain to be completed. The final grading of rights of way and shoulders are currently underway. All clearing and filling operations are completed along with the storm water system, curb and gutter, and final paving.
- (ii) **Status of water and sewer infrastructure:** The testing and final certification of the water and sanitary sewer systems remains to be complete and is currently underway. 100% of all water and sanitary sewer systems have been completed installed and are awaiting final agency approval and certification.
- (iii) **Status of construction of Lakeside Boulevard:** Approximately 25% of final coat of paving, all the grassing, 90% of sidewalks, and 15% of grading on shoulders and right of way remain to be done. The sidewalks and final paving coat are currently underway. Approximately 90% of all roadway, sub-grade base and paving are completed. Approximately 20% of regional pumping station remains to be done. The final 20% is currently underway. All the underground water, sanitary and storm sewers are complete.
- (iv) **Status of construction of Lakeside Boulevard landscaping:** Minor final grading, 90% of irrigation, and 100% of all horizontal and vertical landscaping remain to be done. The installation of the irrigation system is currently underway. Final landscape design and irrigation design plans have been completed. 4” well to be used as a backup water source has also been completed.
- (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:

No change since the July 10, 2008 developer's continuing disclosure statement.

B) Projected Absorption

The following table provides a summary of projected absorption as of October 10, 2008.

Projected Absorption

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

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

Lot Type	Total Number of Lots	Lots Sold	Lots Closed
West Development Area			
Single-family 70'	171	22	15
Single-family 85'	336	26	24
Single-family 100'	353	23	23
Subtotal	860	71	62
East Development Area			
Residential Units	1,596		
Total	2,456	71	62

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

i) Lot sales

Owner	Number of Lots	Developer Affiliate
Individual property owners	62	No
Builders	0	
Total	62	

ii) Parcel sales

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

E) Issuance of Building Permits:

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

3) 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	\$394,411	\$940,520
Developer	\$8,000,000	\$0	\$8,000,000
Total	\$20,115,497	\$394,411	\$20,509,908

4) **Government Permits and Approvals:**

Permit	Permitting Agency	Projected Date of Submission	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.

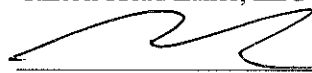
8) **Material Changes in the Form, Organization or Ownership of the Developer:** There have been no material changes in the form, organization or ownership of the developer of any other affiliate of the developer who owns property in the district (as described within the Limited Offering Memorandum under the headings "THE DEVELOPMENT" and "THE DEVELOPER").

9) **Other Comments:**

None

HILTON HEAD LAKES, LLC

By: Hilton Head Lakes, LLC

By:  _____

Title: Member

Date: 10/8/08