

\$2,973,657.50
LANCASTER COUNTY, SOUTH CAROLINA
SPECIAL SOURCE REVENUE BONDS
SERIES 2006
(BAILES RIDGE PROJECT)
CONVERTIBLE DEFERRED INTEREST BONDS

DEVELOPER'S CONTINUING DISCLOSURE STATEMENT

Attn: Keenan Rice
MuniCap, Inc.
8340 Governor Ridgely Lane
Ellicott City, MD 21043

In accordance with the Continuing Disclosure Agreement (the "Disclosure Agreement") by and between Lancaster County (the "County"), Bailes Investment Associates, LLC (the "Developer"), and MuniCap, Inc. (the "Disclosure Agent" or "MuniCap") dated as of June 19, 2006, the Developer hereby provides the following information as of December 31, 2008. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated as of March 10, 2006.

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 December 31, 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.

To the best of the knowledge of the undersigned:

1. Status of the Public Improvements Financed with the Bonds:

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Completed
Calvin Hall Rd. Extension	\$1,572,532	\$202,985	\$1,775,517	\$1,775,517	100%
Sewer / Water (gravity lines, watermains)	\$684,155	(\$36,346)	\$647,809	\$647,809	100%
Project Portion of Lift Station	\$220,000	(\$7,504)	\$212,496	\$212,496	100%
Sub Total	\$2,476,687	\$159,135	\$2,635,822	\$2,635,822	100%
Engineering - 5%	\$123,834	\$51,115	\$174,949	\$174,949	100%
Total Public Improvements:	\$2,600,521	\$210,250	\$2,810,771	\$2,810,771	100%
<i>Less Other Funds</i>	\$0	(\$210,250)	(\$210,250)	\$0	0%
Total Bond Funded Costs	\$2,600,521	\$0	\$2,600,521	\$2,810,771	100%

2. Status of Development of the Infrastructure:

Improvements	Actual (Estimated) Commencement Date	Actual (Estimated) Completion Date
Initial Phases		
Calvin Hall Road Extension	3 rd Quarter 2006	Completed
Sewer Lift Station	3 rd Quarter 2006	Completed
12" Gravity and Trunk Lines	3 rd Quarter 2006	Completed
Sewer Force Main	3 rd Quarter 2006	Completed
Domestic Water Lines	3 rd Quarter 2006	Completed
Other Improvements		
Landscaping	1 st Qtr 2008	Completed
Monuments	1 st Qtr 2008	Completed
Signage	1 st Qtr 2008	Completed
Internal Loop	N/A	N/A

The sewer, water and lift station infrastructure has been officially deeded over to Lancaster County. The road improvements are expected to be deeded over to Lancaster County in 2009.

3. **Material Changes to the Development:** The Developer elected to change the proposed use of a 16-acre tract on Yarborough Road from residential to commercial. This 16-acre tract was added to the "Business Park" section of Bailes Ridge. Since these 16 acres are within the Bailes Ridge development area, are within the Multicounty Park, and will now be used for commercial purposes, the fee that replaces the standard property tax that the landowner must pay on these 16 acres will contribute towards the Pledged Revenue to support the bonds. The commercial component to Bailes Ridge now contains 216.3 acres, excluding roadways that will be deeded to Lancaster County and a Nature Trail owned by Lancaster County, which breaks down as follows:

Master Plan	
Section	Acres
Corporate Office	114.2
Business Park	60.9
Corporate Headquarters	41.2
Sub Total	<u>216.3</u>
Nature Trail	16.1
Total	232.4

To accommodate commercial development along the 16-acre parcel, Developer installed the following:

- Sewer/gravity line (1,735 LF) that connects into the existing sewer trunk line
- 8" watermain (2,422 LF) down Yarborough Road

Costs for the additional sewer line and watermain were paid by the Developer.

4. **Current Building Development:** As of December 31, 2008, Bailes Ridge contains two finished office buildings, and two additional buildings under construction. The two buildings under construction are identical in size and design, contain 12,000 SF each, and are located along Yarborough Road. The two buildings under construction were completed in January, 2009. These two recently completed buildings are being developed by the Developer “on-spec” – there are currently no tenants. Each of these buildings is offered for sale at \$780,000, or \$65 per foot.

One of the two previously completed buildings, owned by HH Bailes, LLC, is fully leased. The other previously completed building, owned by BR 1, LLC, has been sold to a 3rd party.

A summary of the existing buildings at Bailes Ridge is presented as follows:

<i>M.P. Section / Ownership Entity</i>	<i>Square Footage</i>	<i>No. of Acres</i>	<i>Date of Completion</i>	<i>Primary Tenant</i>
<i>Corporate Office:</i> HH Bailes, LLC	40,000	10.0	3/22/2007	Honeywell
<i>Business Park:</i> BR 1, LLC	48,000	5.2	1/14/2008	JELD-WEN*
Bailes Ridge 2, LLC (two separate buildings)	<u>24,000</u>	<u>3.4</u>	1/31/2009**	
Total	112,000	18.6		

* JELD-WEN occupies 24,000 SF, and the un-affiliated owner of this facility is actively seeking tenants for the available 24,000 square feet of space.

** Two shell buildings were under construction as of 12/31/2008, and were completed 1/31/2009.

5. **Petitions for Bankruptcy:** There have been no petitions for bankruptcy, insolvency, or other debtor’s relief filed by or against the developer.
6. **Notice of Sales:** There has not been a sale of all or substantially all of the development not in the ordinary course of business.

7. Pledged Revenue Projections:

The following table indicates the appraised and assessed values of the tax parcels that make up Bailes Ridge as of January 1, 2008, according to Lancaster County's online tax site. Parcels 0007-00-025.02, 0007-00-025.03, and 0007-00-034.00 are all appraised as undeveloped land as of January 1, 2008.

Tax Parcel Identification #	Owner (as of Jan 1, 2008)	2008 Appraised Value	2008 Assessed Value
0007-00-025.00	Bailes Investment Associates, LLC	\$5,529,920	\$331,800
0007-00-025.01	HH Bailes, LLC	\$5,009,636	\$300,578
0007-00-025.02	Bailes Investment Associates, LLC	\$107,760	\$6,470
0007-00-025.03	Bailes Investment Associates, LLC	\$112,560	\$6,750
0007-00-034.00	BR 1, LLC	\$329,900	\$19,790
Total		\$11,089,776	\$665,388

The following table shows the Developer's estimated revenue projections.

PLEGDED REVENUE PROJECTIONS
Bailes Ridge Revenue

Tax Year	Rollback Taxes	Existing Buildings	Undeveloped Land	Total B.R. Rev.	HSBC Revenue	Total Revenue (1)
2007					\$ 19,820	\$ 19,622
2008	\$ 232,249	\$ 5,142	\$ 111,503	\$ 348,894	\$ 135,328	\$ 479,380
2009	\$ -	\$ 135,735	\$ 106,619	\$ 242,354	\$ 376,906	\$ 613,067
2010	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 367,159	\$ 658,699
2011	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2012	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2013	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2014	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2015	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2016	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2017	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2018	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2019	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875
2020	\$ -	\$ 195,829	\$ 102,365	\$ 298,194	\$ 362,286	\$ 653,875

(1) Reduced by 1% for Chester County's portion of revenues.

Assumptions: To be conservative, projections (2008-2020) of B.R. Revenue from Existing Buildings include only those buildings (HH Bailes, BR 1, & BR 2) which are currently built. As additional buildings are built, Revenue from Existing Buildings will be revised accordingly.

In tax year 2008, BR 1 and BR 2 were taxed as Undeveloped Land since both projects were under construction as of Jan. 1, 2008. Beginning in tax year 2009, BR 1 was taxed as an existing building, while BR 2 was taxed as Undeveloped Land. BR 2 was completed in late January 2009, therefore effective tax year 2010, it will be taxed as an Existing Building. The appraised value of BR 1 was assumed to be equal to its sale price (\$4,459,110); the BR 2 appraised value was assumed to be equal to its current market/sale price (\$1,560,000). The County's current assessment ratio of 6% and millage rate of .2575 were applied to the market value of both buildings to derive B.R. tax revenue from these buildings. The balance of revenue is derived from HH Bailes, LLC.

HH Bailes received FILOT credits of 95% and 65% in tax Year 2008 and tax Year 2009, respectively. HH Bailes FILOT payments include real and personal property; BR 1 and BR 2 include real personal property taxes only.

8. **Debt Service Coverage:** The following table shows the estimated debt service coverage.

DEBT SERVICE COVERAGE (1)								Coverage	
Bond Year	Total Revenues (2)	Principal	Compounded Interest (3)	Interest (4)	DSRF	Net DS	Excess/ Shortfall	w/HSBC Only	Coverage All
2008	\$19,622								
2009	\$479,380			\$102,063	(\$5,688)	\$96,375	\$383,005	1.4	4.97
2010	\$613,067	\$201,036	\$38,964	\$197,225	(\$5,688)	\$431,537	\$181,530	0.87	1.42
2011	\$658,699	\$209,413	\$40,588	\$183,138	(\$5,688)	\$427,451	\$231,248	0.86	1.54
2012	\$653,875	\$221,977	\$43,023	\$168,331	(\$5,688)	\$427,643	\$226,232	0.85	1.53
2013	\$653,875	\$238,730	\$46,270	\$152,519	(\$5,688)	\$431,831	\$222,044	0.84	1.51
2014	\$653,875	\$251,295	\$48,705	\$135,700	(\$5,688)	\$430,012	\$223,863	0.84	1.52
2015	\$653,875	\$268,048	\$51,952	\$117,875	(\$5,688)	\$432,187	\$221,688	0.84	1.51
2016	\$653,875	\$280,613	\$54,387	\$99,044	(\$5,688)	\$428,356	\$225,519	0.85	1.53
2017	\$653,875	\$297,366	\$57,634	\$79,206	(\$5,688)	\$428,518	\$225,357	0.85	1.53
2018	\$653,875	\$314,119	\$60,881	\$58,219	(\$5,688)	\$427,531	\$226,344	0.85	1.53
2019	\$653,875	\$335,060	\$64,940	\$35,938	(\$5,688)	\$430,250	\$223,625	0.84	1.52
2020	\$653,875	\$356,001	\$68,999	\$12,219	(\$230,376)	\$206,843	\$447,032	1.75	3.16

(1) All amounts rounded to the nearest dollar.

(2) Obtained from PLEDGED REVENUE PROJECTIONS table, see assumptions.

(3) Represents interest amount through May 1, 2009, the Conversion Date. The annual amounts are calculated on the difference between the Redemption at Maturity and the original Principal.

(4) Interest rate = 5.75%.

9. **Net Developable Acres:** The following table shows the total net developable acres (NDA), NDA owned by the developer, NDA owned by third parties, NDA under construction by the developer, certificate of occupancies on property owned by the developer, and undeveloped NDA owned by the developer.

Total Net Developable Acres (NDA) (acres)	NDA Owned by Developer (acres)	NDA Owned by Third Parties (acres)	NDA Under Construction (acres)	NDA Certificate of Occupancy Issued (sq. ft.)	NDA Remaining (Undeveloped) (acres)
216.3	201.1	15.2	3.4	88,000 SF	197.7

The 197.7 acres of undeveloped land for sale is priced between \$60,000 and \$200,000 per acre, varying by location.

10. **Material Adverse Changes to Permits, Approvals, Zoning or Land Use Entitlements:** There have been no material adverse changes or determinations in permits, approvals, zoning, or land use entitlements for the development which would necessitate material adverse changes in the developer's land use plan or that would have a material adverse impact on land values or development potential.
11. **Legislative, Administrative or Judicial Challenges:** There have been no legislative, administrative, or judicial challenges to the construction of the infrastructure or the completion of the development.
12. **Notice of Default on Construction Loan:** The developer has not received any formal written notice of default under any construction loan which finances any portion of the infrastructure or the development.
13. **Change in Form, Organization or Ownership of the Developer:** There has been no material change to the form, organization, or ownership of the developer or any affiliate of the developer who owns property in the development.
14. **Changes in the amount or nature of the Bond Security:** To the best knowledge of the developer, there have been no changes in the amount or nature of the Bond Security, including, without limitation, changes in the amounts of fees payable by the developer or fees payable under the HSBC Fee Agreement, termination or modification of the HSBC Fee Agreement, or changes in the boundaries of the 2006 Fee Property.

BAILES INVESTMENT ASSOCIATES, LLC

By: CROSLAND-BAILES, LLC, Manager

By: CROSLAND, LLC, Manager

By:  [SEAL]

Name: _____

Title: _____