

\$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 September 30, 2007.. 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. 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	\$183,471	\$1,756,003	\$1,447,107	82%
Sewer / Water (gravity lines, watermains)	\$684,155	(\$36,053)	\$648,102	\$569,741	88%
Project Portion of Lift Station	<u>\$220,000</u>	<u>\$140,000</u>	<u>\$360,000</u>	<u>\$0</u>	<u>0%</u>
<b>Sub Total</b>	\$2,476,687	\$287,418	\$2,764,105	\$2,016,848	73%
Engineering - 5%	\$123,834	\$41,166	\$165,000	\$166,826	96%
<b>Total Public Improvements:</b>	\$2,600,521	\$328,584	\$2,929,105	\$2,183,674	75%
<i>Less</i> Other Funds	\$0	(\$328,584)	(\$328,584)	\$0	0%
<b>Total Bond Funded Costs</b>	\$2,600,521	\$0	\$2,600,521	\$1,670,942	64%

2. Status of Development of the Infrastructure:

Improvements	Actual (Estimated) Commencement Date	Actual (Estimated) Completion Date
Initial Phases		
Calvin Hall Road Extension	3 <sup>rd</sup> Quarter 2006	2 <sup>nd</sup> Qtr 2007
Sewer Lift Station	3 <sup>rd</sup> Quarter 2006	1 <sup>st</sup> Qtr 2007
12" Gravity and Trunk Lines	3 <sup>rd</sup> Quarter 2006	1 <sup>st</sup> Qtr 2007
Sewer Force Main	3 <sup>rd</sup> Quarter 2006	1 <sup>st</sup> Qtr 2007
Domestic Water Lines	3 <sup>rd</sup> Quarter 2006	2 <sup>nd</sup> Qtr 2007
Other Improvements		
Landscaping	1 <sup>st</sup> Qtr 2008	1 <sup>st</sup> Qtr 2008
Monuments	1 <sup>st</sup> Qtr 2008	1 <sup>st</sup> Qtr 2008
Signage	1 <sup>st</sup> Qtr 2008	1 <sup>st</sup> Qtr 2008
Internal Loop	N/A	N/A

3. **Material Changes to the Development:** There have been no material changes in the plan to develop the Development or the Infrastructure other than to shorten the domestic water line by approximately 1,000 feet at the end of Old Bailes Road.
4. **Government Permits and Approvals:** On July 20, 2006, DHEC issued a Stormwater / Grading permit for Bailes Ridge. On September 19, 2006, DHEC issued a Water Supply Construction Permit for Bailes Ridge.
5. **Vacancy Rate:** The table below shows the vacancies for property held by the developer.

Property Type	Estimated Square Footage Upon Completion	Certificate of Occupancy Square Footage	Leased Space	Vacant Space*
Corporate Office	720,000	0	40,000**	0
Business Park	228,000	0	0	0
Corporate HQ	228,000	0	0	0
Retail Service	24,000	0	0	0
<b>Total</b>	<b>1,200,000</b>	<b>0</b>	<b>40,000</b>	<b>0</b>

\*Newly constructed property shall not be treated as vacant during a one year lease-up period, commencing on the date of the receipt of the certificate of occupancy.

\*\* Leased space represents build-to-suit project between Hand Held Products, LLC and HH Bailes, LLC. Facility is currently under construction.

6. **Rent Rates:** The table below provides the asking leasing rates per square foot for the vacant property held by the developer.

Property Type	Asking Leasing Rates (Per Square Foot)
Corporate Office	N/A
Business Park	N/A
Corporate Headquarters	N/A

7. **Price for Undeveloped Property:** The table below shows the asking price for undeveloped property held by the developer.

Property Type	Asking Price*
Corporate Office	\$100,000-\$150,000
Business Park	\$75,000
Corporate HQ	\$75,000

\* Land sale price per acre (subject to change).

8. **Petitions for Bankruptcy:** There have been no petitions for bankruptcy, insolvency, or other debtor's relief filed by or against the developer.
9. **Notice of Sales:** There has not been a sale of all or substantially all of the development not in the ordinary course of business.
10. **Square Footage by Construction Type:** The following table reflects the developer's current estimate of square footage by type of construction, which will be completed during the years 2007-2020.

**Absorption**

Year	Square Feet - Vertical Construction				Total
	Corporate Office	Business Park	Corporate HQ	Service Retail	
2006	-	-	-	-	-
2007	72,000	-	-	-	72,000
2008	72,000	-	-	-	72,000
2009	84,000	36,000	-	-	120,000
2010	120,000	36,000	-	-	156,000
2011	48,000	-	84,000	24,000	156,000
2012	78,000	-	54,000	-	132,000
2013	66,000	-	48,000	-	114,000
2014	108,000	-	-	-	108,000
2015	48,000	48,000	-	-	96,000
2016	24,000	72,000	-	-	96,000
2017	-	36,000	42,000	-	78,000
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
<b>Total</b>	<b>720,000</b>	<b>228,000</b>	<b>228,000</b>	<b>24,000</b>	<b>1,200,000</b>

11. Assessed Values: The following table shows the Developer's estimated assessed values.

Year	Total SF	Investment PSF of Development		Taxable Base		Depreciation	Total Taxable Base
		Buildings	Machinery	Buildings	Machinery		
2006	-	\$80.00	\$20.00	-	-	-	-
2007	72,000	82.00	20.50	\$5,904,000	\$1,476,000	-	\$7,380,000
2008	72,000	84.05	21.01	6,051,600	1,512,900	\$(162,360)	14,782,140
2009	120,000	86.15	21.54	10,338,150	2,584,538	(328,779)	27,376,049
2010	156,000	88.31	22.08	13,775,585	3,443,896	(613,078)	43,982,451
2011	156,000	90.51	22.63	14,119,974	3,529,994	(991,907)	60,640,513
2012	132,000	92.78	23.19	12,246,362	3,061,591	(1,380,206)	74,568,260
2013	114,000	95.09	23.77	10,840,814	2,710,204	(1,716,981)	86,402,297
2014	108,000	97.47	24.37	10,527,001	2,631,750	(2,015,103)	97,545,945
2015	96,000	99.91	24.98	9,591,268	2,397,817	(2,304,596)	107,230,433
2016	96,000	102.41	25.60	9,831,049	2,457,762	(2,435,516)	117,083,729
2017	78,000	104.97	26.24	8,187,421	2,046,855	(2,540,189)	124,777,816
2018	-	-	-	-	-	-	124,777,816
2019	-	-	-	-	-	-	124,777,816
2020	-	-	-	-	-	-	124,777,816
<b>Total</b>	<b>1,200,000</b>			<b>\$111,413,225</b>	<b>\$27,853,306</b>	<b>\$(14,488,714)</b>	<b>\$1,136,103,082</b>

12. Pledged Revenue Projections: The following table shows the Developer's estimated revenue projections.

**Pledged Revenue Projections**

Year	Total Taxable Base	Total Assessed Value (1)	Bailes Ridge Revenue (2)	HSBC Revenues(3)	Total Revenues (4)
2006	-	-	-	-	-
2007	\$ 7,380,000	\$ 608,850	-	-	-
2008	14,782,140	1,219,527	-	\$ 19,820	\$ 19,820
2009	27,376,049	2,258,524	\$ 159,519	135,328	294,847
2010	43,982,451	3,628,552	319,516	376,906	696,422
2011	60,640,513	5,002,842	591,733	367,159	958,892
2012	74,568,260	6,151,881	950,681	362,286	1,312,967
2013	86,402,297	7,128,189	1,310,745	362,286	1,673,031
2014	97,545,945	8,047,540	1,611,793	362,286	1,974,079
2015	107,230,433	8,846,511	1,867,586	362,286	2,229,872
2016	117,083,729	9,659,408	2,108,456	362,286	2,470,742
2017	124,777,816	10,294,170	2,317,786	362,286	2,680,072
2018	124,777,816	10,294,170	2,530,765	362,286	2,893,051
2019	124,777,816	10,294,170	2,697,073	362,286	3,059,359
2020	124,777,816	10,294,170	2,697,073	362,286	3,059,359
<b>Total</b>	<b>\$1,136,103,082</b>	<b>\$93,728,504</b>	<b>\$19,162,723</b>	<b>\$4,159,787</b>	<b>\$23,089,285</b>

(1) Based on assessment rate of 8.25%.

(2) Based on 262 mills.

(3) HSBC Revenues refers to the fees in lieu of taxes payable by HSBC Mortgage Services and any sponsors as per the HSBC Fee agreement based on a millage rate of 262 mills and an assessment ratio of 6%.

(4) Reduced by 1% for collection costs by Chester County.

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

**Debt Service Coverage<sup>(1)</sup>**

Year	Total Revenues <sup>(2)</sup>	Principal	Compounded Interest <sup>(3)</sup>	Interest <sup>(4)</sup>	DSRF	Net DS	Excess / Shortfall	Coverage w/HSBC Only	Coverage All
2006	-	-	-	-	\$ (3,555)	-	-		
2007	-	-	-	-	(5,688)	-	-		
2008	\$ 19,622	-	-	-	(5,688)	\$ 19,622	\$ 19,622		
2009	291,898	-	-	\$ 102,063	(5,688)	\$ 96,374	195,524	1.40 x	3.03 x
2010	689,458	\$ 201,036	\$ 38,964	197,225	(5,688)	431,537	257,921	0.87 x	1.60 x
2011	949,303	209,413	40,588	183,138	(5,688)	427,449	521,854	0.86 x	2.22 x
2012	1,299,837	221,977	43,023	168,331	(5,688)	427,643	872,194	0.85 x	3.04 x
2013	1,656,300	238,730	46,270	152,519	(5,688)	431,830	1,224,470	0.84 x	3.84 x
2014	1,954,338	251,295	48,705	135,700	(5,688)	430,012	1,524,326	0.84 x	4.54 x
2015	2,207,573	268,048	51,952	117,875	(5,688)	432,187	1,775,386	0.84 x	5.11 x
2016	2,446,034	280,613	54,387	99,044	(5,688)	428,355	2,017,679	0.85 x	5.71 x
2017	2,653,271	297,366	57,634	79,206	(5,688)	428,518	2,224,753	0.85 x	6.19 x
2018	2,864,120	314,119	60,881	58,219	(5,688)	427,530	2,436,590	0.85 x	6.70 x
2019	3,028,765	335,060	64,940	35,938	(5,688)	430,249	2,598,516	0.84 x	7.04 x
2020	3,028,765	356,001	68,999	12,219	(230,376)	206,843	2,821,922	1.75 x	14.64 x
<b>Total</b>	<b>\$ 23,089,285</b>	<b>\$ 2,973,658</b>	<b>\$ 576,343</b>	<b>\$ 1,341,475</b>	<b>\$ 307,879</b>	<b>\$ 4,598,528</b>	<b>\$ 18,490,757</b>		

(1) All amounts rounded to nearest dollar.

(2) Reduced by 1% for collection costs by Chester County.

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

(4) Interest rate = 5.75%.

14. 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)/ (sq. ft.)	NDA Certificate of Occupancy Issued* (acres)/ (sq. ft.)	NDA Remaining (Undeveloped)* (acres)
202	192	10.0	10.0	4/2007 (projected)	192

\* Developer owned property only.

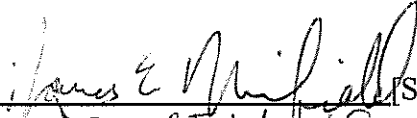
15. Material Adverse Changes to Permits, Approvals, Zoning or Land Use Entitlements: There have been no material adverse changes or determinations in permits, approvals, zoning, or land use entitlements for the development which would necessitate material adverse changes in the developer's land use plan or that would have a material adverse impact on land values or development potential.

16. 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.
17. 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.
18. 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.
19. 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: James E. Merrifield  
Title: Vice President