

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

*\$28,880,000 Lancaster County, South Carolina
Edgewater II Improvement District
Assessment Revenue Bonds
Series 2007 A and B*

Prepared by:

MUNICAP

May 5, 2009

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

I.	UPDATED INFORMATION	1
II.	INTRODUCTION	2
III.	DEVELOPMENT ACTIVITY	4
	A. Overview	4
	B. Status of Governmental Permits	6
	C. Status of Development	6
	D. Status of Financing	8
IV.	TRUSTEE ACCOUNTS	9
V.	DISTRICT OPERATIONS	11
	A. Annual Revenue Requirement	11
	B. Delinquent Special Assessments	13
	C. Collection Efforts	13
VI.	DISTRICT FINANCIAL INFORMATION	14
	A. Fund Balances	14
	B. Changes to the Rate and Method of Apportionment	14
	C. Annual Payments Levied and Collected	14
	D. Significant Amendments to Land Use or Legal Challenges to Construction of the Development or the District	16
	E. Changes to the Construction of the 2007 Project	16
	F. Debt Service and Special Assessment Revenues Schedules	17
VII.	SIGNIFICANT EVENTS	
	A. Developer Significant Events	19
	B. Listed Events	19

I. UPDATED INFORMATION

Information updated from the Limited Offering Memorandum Annual Continuing Disclosure Report dated November 1, 2007 is as follows:

- As of December 31, 2008, the developer reports that a total of three lots have been sold. These three lots are located in Phase II-A of the development.
- As of December 31, 2008, a total of \$9,675,638 has been expended for the construction of the public improvements, representing 30 percent of the budgeted amount.
- There were no special assessments to be collected on the parcels in the District for fiscal year 2008-2009. As a result, there are no delinquent special assessments.
- According to Lancaster County, total ad valorem taxes in the amount of \$69,165 were collected on the properties in the development for fiscal year 2008-2009. Ad valorem real property taxes were due on January 15, 2009. As of January 15, 2009, there were no delinquent ad valorem taxes.
- As of December 31, 2008, the trustee reports there were three prepayments for Series B Bonds made in the aggregate amount of \$128,536.36 on the three lots sold to homebuyers. Series 2007B Bonds in the amount of \$129,000 have been redeemed with these prepayments.

II. INTRODUCTION

The Edgewater Improvement District Assessment Revenue Bonds Series 2007A and Series 2007B Bonds have been authorized by an ordinance enacted on July 30, 2007, 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, a Master Trust Indenture dated as of November 1, 2007 (the “Master Indenture”), and as supplemented by a First Supplemental Trust Indenture dated as of November 1, 2007 (the “Supplemental Indenture” and collectively, with the “Master Indenture”, the “Indenture”) between Lancaster County, South Carolina (the “County”) and U.S. 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 II Improvement District (the “District”) consists of approximately 376 acres comprising Phases II-A and II-B of the Edgewater Development (the “Edgewater Development”). The proposed Edgewater Development comprises approximately 1,900 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 30 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, and other typical amenities. The Edgewater Development will be developed in phases over the next ten to fifteen years. At the time of issuance, Edgewater I Improvement District had commenced development of a projected 727 single-family homes and two amenity centers.

Phases II-A and II-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 1,059 (with 562 units in Phase II-A on approximately 266 acres and 497 units in Phase II-B on approximately 110 acres).

As stated in the Limited Offering Memorandum, Edgewater II is to include approximately eight acres of common open space and recreational areas, approximately 38 acres of community amenity space and an 18-hole golf course with country club-style amenities. These items will not be included in the Edgewater II Improvement District and, therefore, are not subject to Series 2007 Assessments.

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 \$9,229,000.00 (Series 2007A) and \$19,651,000.00 (Series 2007B) were sold in November 2007. Public improvements in the amount of \$30,759,334, funded by both the 2007 Bonds proceeds and private funds will be used for grading, earthwork, construction of major spine roads, secondary roads for the initial pods, gravity sewer lines, pump stations and sewer force mains. All recreational amenities, including passive and active common open space will be privately funded.

Information herein was provided by a number of sources and is believed to be accurate; however, no efforts have been made to independently verify this information.

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 II-A and II-B of Edgewater will comprise the Edgewater II Special Assessment District. The total number of units in Phase II-A and II-B at total build-out was expected to be 1,059 units.

At issuance, the total number of residential units in the district at build-out was expected to be 1,059 (with 562 units in Phase II-A on approximately 266 acres and 497 units in Phase II-B on approximately 110 acres). A breakdown of unit-type by Phase is provided in Table III-1 on the following page.

Table III-1
Number of Units in Phase II-A and II-B

Lot Types	Product Type	Phase II-A Lots	Phase II-B Lots	Total
Category 1	Main Lakefront Estate Lot	25	0	25
Category 2	Interior Lakefront with Golf Course View Estate Lot Golf Course Frontage with Interior Lake View Estate Lot	13	14	27
Category 3	Golf Course Front with Interior Lake View Community Lot Golf Front Estate Lot	78	25	103
Category 4	Interior Lakefront Estate Lot Main Lake View Estate Lot Interior Lakefront With Equestrian View Community Lot Equestrian Front with Interior Lake View Community Lot	32	11	43
Category 5	Golf Course Front Community Lot Interior Lakefront Community Lot	65	52	117
Category 6	Golf Course Front Cottage Lot Interior Lake View Estate Lot Golf Course View Estate/Community Lot Equestrian View Estate Lot	11	57	68
Category 7	Interior Estate Lot Interior Lake View Estate Lot Interior Community Lot Equestrian View Community Lot Golf Course View Cottage Lot Interior Lakefront Cottage Lot	271	144	415
Category 8	Interior Cottage Lot Townhome Lot	67	194	261
Total		562	497	1,059

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 EDGEWATER DEVELOPMENT; EDGEWATER II – Permits.” Table III-2 shows the status of permits as of December 31, 2008.

**Table III-2
Permits**

Permit/Approval	Permitting Agency	Date	
		Date Submitted	Date Approved
Land Disturbance Permit (NPDES)	SCDHEC	Phase IIA-2 Dec. 2007 Phase IIB Apr. 2009	Phase IIA-1 Feb. 2007 Phase II-2 Jun. 2008 Phase II-3 Jun. 2008 Phase II-4 Apr. 2008 Phase II-5-7 Oct. 2008
Sanitary Sewer Permit to construct	SCDHEC	Phase IIA-1 Dec. 2007 Phase IIA-2 Mar. 2008 Phase IIB Jun. 2009	Phase II-2 Mar. 2008 Phase II-3 Oct. 2008 Phase II-4 Dec. 2008
Water Permit to Construct	SCDHEC	Phase IIA-1 Dec. 2007 Phase IIA-2 Mar. 2008 Phase IIB Feb. 2008	Phase II-2 Feb. 2008 Phase II-3 Oct. 2008 Phase II-4 Dec. 2008
Site Plan Approval	Lancaster County	Phase IIB Feb. 2008	Phase IIA-1 Oct. 2007 Phase IIA-2 Oct. 2007
Water and Sewer Plans Approval	Lancaster County Water and Sewer District	Phase IIA-1 Oct. 2007 Phase IIA-2 Jan. 2008 Phase IIB Mar. 2009	Phase II-2 Feb. 2008 Phase II-4 Feb. 2008 Phase II-3 Oct. 2008

C. STATUS OF DEVELOPMENT

As of December 31, 2008, the developer reports the revised projection of lot sales by year shown in Table III-3, as opposed to the projected lot sales by year stated in the Limited Offering Memorandum.

Table III-3
Revised Lot Sales By Year

Category	YEAR									Total
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Category 1A	0	2	10	13	0	0	0	0	0	25
Category 2A	1	1	6	5	0	0	0	0	0	13
Category 2B	0	0	0	14	0	0	0	0	0	14
Category 3A	0	10	46	22	0	0	0	0	0	78
Category 3B	0	0	0	13	12	0	0	0	0	25
Category 4A	0	2	22	8	0	0	0	0	0	32
Category 4B	0	0	0	11	0	0	0	0	0	11
Category 5A	2	5	33	25	0	0	0	0	0	65
Category 5B	0	0	0	20	15	10	7	0	0	52
Category 6A	0	5	6	0	0	0	0	0	0	11
Category 6B	0	0	0	15	15	15	12	0	0	57
Category 7A	0	15	60	61	34	34	34	33	0	271
Category 7B	0	0	0	25	25	25	25	22	22	144
Category 8A	0	4	31	22	10	0	0	0	0	67
Category 8B	0	0	0	33	33	33	33	33	29	194
Total	3	44	214	287	144	117	111	88	51	1,059

As of December 31, 2008, the developer reports that a total of three lots have been sold. These three lots are located in Phase II-A of the development. There has been no sale of lots in Phase II-B. Table III-4 below shows the number of lots sold and closed as of December 31, 2008:

Table III-4
Lots Sold and Closed

Lot Type	Phase II-A			Phase II-B		
	Lots Under Contract	Lots Closed	Affiliate of Developer	Lots Under Contract	Lots Closed	Affiliate of Developer
Category 1	0	0	No	0	0	
Category 2	0	1		0	0	
Category 3	0	0		0	0	
Category 4	0	0		0	0	
Category 5	0	2	No	0	0	
Category 6	0	0		0	0	
Category 7	0	0		0	0	
Category 8	0	0		0	0	
Total	0	3		0	0	

At the time of issuance, the Limited Offering Memorandum reported that the developer had begun construction of the infrastructure supporting Edgewater II.

As of December 31, 2008, a total of \$9,675,638 has been expended for the construction of the public improvements, representing 30 percent of the budgeted amount. Table III-5 on the following page shows the budget, as of December 31, 2008, for the proceeds funded to date by line item.

**Table III-5
Public Improvements**

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Phase II-A					
Site Preparation	\$1,616,000	\$0	\$1,616,000	\$2,795,930	90%
Sanitary Sewer	\$2,229,536	\$0	\$2,229,536	\$1,045,713	30%
Water Service	\$1,214,616	\$0	\$1,214,616	\$459,978	25%
Storm Drainage	\$1,384,934	\$0	\$1,384,934	\$657,202	35%
Public Storm System Crossing Golf Course	\$615,804	\$0	\$615,804	\$0	100%
Paving & Curb	\$3,061,235	\$0	\$3,061,235	\$445,009	23%
Miscellaneous	\$6,152,570	\$0	\$6,152,570	\$2,210,702	35%
Contingency 15%	\$2,441,204	\$0	\$2,441,204	\$0	0%
Construction Monitoring 5%/ District Engineer Certification	\$813,735	\$0	\$813,735	\$0	35%
Engineering/Surveying 10%	\$1,627,470	\$0	\$1,627,470	\$2,061,104	90%
Sub-total Phase II-A	\$21,157,104	\$0	\$21,157,104	\$9,675,638	40%
Phase II-B					
Site Preparation	\$1,248,400	\$0	\$1,248,400	\$0	0%
Sanitary Sewer	\$1,457,585	\$0	\$1,457,585	\$0	0%
Water Service	\$917,065	\$0	\$917,065	\$0	0%
Storm Drainage	\$1,065,271	\$0	\$1,065,271	\$0	0%
Paving & Curb	\$2,198,010	\$0	\$2,198,010	\$0	0%
Miscellaneous	\$500,000	\$0	\$500,000	\$0	0%
Contingency 15%	\$1,107,950	\$0	\$1,107,950	\$0	0%
Construction Monitoring 5%/ District Engineer Certification	\$369,317	\$0	\$369,317	\$0	0%
Engineering/Surveying 10%	\$738,633	\$0	\$738,633	\$0	0%
Sub-total Phase II-B	\$9,602,231	\$0	\$9,602,231	\$0	0%
Total	\$30,759,335	\$0	\$30,759,335	\$9,675,638	30%

D. STATUS OF FINANCING

At 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 2007A and B bonds is U.S. Bank National Association. The initial deposits as of November 1, 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
Series A and B Account Balances

Fund	Initial Deposits	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/08
Series A Interest Account	\$0	\$177	\$679,485	\$679,485	\$177
Series A Debt Service Reserve Account	\$801,000	\$17,377	\$0	\$17,377	\$801,000
Series A Capitalized Interest Account	\$1,299,993	\$27,230	\$15,019	\$679,485	\$662,757
Series A Cost of Issuance	\$221,000	\$647	\$0	\$194,060	\$27,587
Series A Construction Account	\$20,828,163	\$347,679	\$0	\$12,700,994	\$8,474,848
Series A Administrative Expense Account	\$90,000	\$1,814	\$0	\$17,062	\$74,752
Series B Interest Account	\$0	\$372	\$1,431,214	\$1,431,214	\$372
Series B Debt Service Reserve Account	\$1,513,127	\$32,826	\$0	\$32,826	\$1,513,127
Series B Prepayment Account	\$0	\$606	\$128,536	\$129,000	\$142
Series B Capitalized Interest Account	\$3,549,117	\$70,090	\$32,826	\$1,432,389	\$2,219,644
Total	\$28,302,400	\$498,818	\$2,287,081	\$17,313,893	\$13,774,406

- Additional proceeds to the Series A and B Interest Accounts were transfers from the Series A and B Capitalized Interest Accounts for the payment of debt service.
- Additional proceeds to the Series A and B Capitalized Interest Accounts were transfers of interest income from the Series A and B Debt Service Reserve Accounts.
- Additional proceeds to the Series B Prepayment Accounts were prepayment deposits on lots within the development.
- Disbursements from the Series A Cost of Issuance Account were payments for costs and expenses related to the issuance of the bonds.
- Disbursements from the Construction Account were payments for the costs related to the public improvements.
- Disbursements from the Series B Prepayment Account were payments for the redemption of the Series 2007B Bonds.

Proceeds in the Series A and B Interest Accounts are invested in First American Treasury Obligation money markets funds that pay interest of 0.17 percent per annum. Proceeds in the Series A and B Debt Service Reserve Accounts, the Series A and B Capitalized Interest Accounts, the Series A Construction Account, the Series A Cost of Issuance Account, the Series A Administrative Expense Account, and the Series B Prepayment Account are invested in First American Government Obligation Fund that pay interest of 0.68 percent per annum. Table IV-2 on the following page shows the average return on the investments in each fund or account.

Investment income on the Series A 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 Series A and B Debt Service 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 Revenue Fund will remain in the fund for the purposes of the fund. Investment income in Series A and Series B Interest Accounts and Capitalized Interest Accounts will remain in their accounts to pay interest on Series A and B Bonds. The investment income from the Series B Prepayment Account will be transferred to the Series B Interest Accounts for paying interest on the Series B Bonds. Investment income in the Construction Account will remain in the Construction Account for payment of public improvements costs. Excess funds remaining in the Series A Construction Account, after payment of all public improvement costs shall be transferred to the Bond Redemption Fund as set forth in Section 5.01 of the Master Trust Indenture.

Table IV-2
Rate of Return

Account	Rate of Return
Series A Interest Account	0.17%
Series B Interest Account	0.17%
Series A Debt Service Reserve Account	0.68%
Series B Debt Service Reserve Account	0.68%
Series A Capitalized Interest Account	0.68%
Series B Capitalized Interest Account	0.68%
Series A Construction Account	0.68%
Series A Cost of Issuance Account	0.68%
Series A Administrative Expense Account	0.68%
Series B Prepayment Account	0.68%

V. DISTRICT OPERATIONS

A. ANNUAL REVENUE REQUIREMENT

The annual revenue requirement is equal to the sum of the following: (1) debt service on the bonds to be paid from the Annual Installment; (2) periodic costs associated with such bonds, including but not limited to, rebate payment and credit enhancement on the bonds; and (3) administrative expenses; less (4) any credits applied under the Bond Indenture, such as interest earnings on any account balances, and (5) any other funds available to the CDA that may be applied to the annual revenue requirement.

Table V-1 provides a summary of the annual revenue requirement for the 2009 tax year. Each of these numbers is explained in the following sections.

Table V-1
Annual Revenue Requirement
2009 Tax Year

	Series A	Series B	Total
Interest payment on May 1, 2009	\$357,624	\$751,597	\$1,109,221
Interest payment on November 1, 2009	\$357,624	\$751,597	\$1,109,221
Principal payment on November 1, 2009	\$0	\$0	\$0
Subtotal Annual Payments	\$715,248	\$1,503,194	\$2,218,442
Administrative Expenses	\$30,000	\$0	\$30,000
<i>Subtotal Expenses</i>	\$745,248	\$1,503,194	\$2,248,442
Available Administrative Expense Fund	(\$74,752)	\$0	(\$74,752)
Revenue Fund	\$0	\$0	\$0
Interest Sub-Accounts	(\$177)	(\$372)	(\$549)
Reserve Fund Interest Income	(\$5,447)	(\$10,289)	(\$15,736)
Available Capitalized Interest Account	(\$665,026)	(\$2,228,346)	(\$2,893,372)
<i>Subtotal Funds Available</i>	(\$745,401)	(\$2,239,008)	(\$2,984,410)
Annual Revenue Requirement	\$0	\$0	\$0

Debt Service

Debt Service includes the semi-annual interest payments due on May 1, 2009 and November 1, 2009. Each semi-annual interest payment on the Series A Bonds is \$357,624 and represents interest at an annual coupon of 3.9 percent on the outstanding bonds of \$9,229,000. There is no principal payment on the Series A Bonds on November 1, 2009. As a result, total debt service is \$715,248. Each semi-annual interest payment on the Series B Bonds is \$751,597 and represents interest at an annual coupon of 3.8 percent on the outstanding bonds of \$19,651,000. There is no principal payment on the Series B Bonds on November 1, 2009. As a result, total debt service is \$2,218,442.

Administrative Expenses

At the time the Series 2007 Bonds were issued, bond proceeds in the amount of \$90,000 were

deposited in the Series A Administrative Expense Account for the payment of administrative expenses during the capitalized interest period. As of December 31, 2008, the balance in the Series A Administrative Expense Fund was \$74,752.

Revenue Fund

As of December 31, 2008, the balance in the Series A and B Revenue Fund was zero. As a result, there are no funds available in the Series A and B Revenue Fund to pay debt service in 2009.

Reserve Fund Investment Income

As of December 31, 2008, the balance in the Series A Reserve Fund was \$801,000, which is equal to the reserve requirement. Bond proceeds in the Series A Reserve Fund totaling \$801,000 are invested in a First American Government Obligation Fund earning 0.68 percent. The yield on the bond proceeds invested in the Series A Reserve Fund will result in estimated investment income each year of \$5,447 through November 1, 2009. As a result, interest income estimated to be made available to pay debt service on the bonds in the 2009 tax year is \$5,447.

As of December 31, 2008, the balance in the Series B Reserve Fund was \$1,513,127, which is equal to the reserve requirement. Bond proceeds in the Series B Reserve Fund totaling \$1,513,127 are invested in a First American Government Obligation Fund earning 0.68 percent. The yield on the bond proceeds invested in the Series B Reserve Fund will result in estimated investment income each year of \$10,289 through November 1, 2009. As a result, interest income estimated to be made available to pay debt service on the bonds in the 2009 tax year is \$10,289.

Available Capitalized Interest

The balance in the Series A Capitalized Interest Account, as of December 31, 2008, was \$662,757. Bond proceeds in the Series A Capitalized Interest Account are invested in a First American Government Obligation Fund earning 0.68 percent per annum that matures November 1, 2009. The balance in the Series B Capitalized Interest Account, as of December 31, 2008, was \$2,219,644. Bond proceeds in the Series B Capitalized Interest Account are invested in a First American Government Obligation Fund earning 0.68 percent per annum that matures May 1, 2010.

Table V-2
Available Capitalized Interest

	Series A	Series B
Capitalized Interest balance at December 31, 2008	\$662,757	\$2,219,644
Interest income through May 1, 2009	\$1,502	\$5,031
Interest income through November 1, 2009	\$767	\$3,671
Available Capitalized Interest Account	\$665,026	\$2,228,346

An estimated \$2,269 ($\$1,502 + \$767 = \$2,269$) in investment income will be earned through the debt payment period of November 1, 2009 for Series A. An estimated \$8,702 ($\$5,031 + \$3,671 = \$8,702$) in investment income will be earned through the debt payment period of November 1, 2009 for Series B. This investment income on the Series A and B Capitalized Interest Account, together with the Series A and B Capitalized Interest Account balances mentioned above, will be made available to pay debt service in tax year

2009.

Summary

Total authority expenses to be paid in fiscal year 2009 are estimated to be \$2,248,442. Funds available to pay these expenses are estimated to be \$2,984,410, resulting in an annual revenue requirement of zero.

B. DELINQUENT SPECIAL ASSESSMENTS

There have been no special assessments collected on the district since the issuance of the Series 2007 Bonds. As a result, there are no delinquent special assessments outstanding at this time.

C. COLLECTION EFFORTS

There are no collection efforts underway at this time.

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 taxes.

C. ANNUAL PAYMENTS LEVIED AND COLLECTED

There were no annual special assessments imposed in 2008 for collection in 2009 are described in Section V of this report, "District Operations." Debt service and administrative expenses will be paid from Series 2007 Bond proceeds held in the Capitalized Interest Account and Administrative Expense Fund.

Annual Special Assessments Levied

There were no special assessments to be collected on the parcels in the District for fiscal year 2008-2009.

Outstanding Delinquencies

There were no special assessments to be collected on the parcels in the District for fiscal year 2008-2009. As a result, there are no delinquent taxes.

According to Lancaster County, total ad valorem taxes of \$69,165 were collected on the properties in the development for fiscal year 2008-2009. Ad valorem real property taxes were due on January 15, 2009. As of January 15, 2009, there were no delinquent ad valorem taxes.

Table VI-2 below depicts the 2008-2009 ad valorem taxes levied on each parcel, total collection, the outstanding amount due, the special assessment collected for fiscal year 2008-2009, and the percentage of delinquent taxes.

Table VI-2
Tax Collections and Delinquencies

Taxpayer	Tax Parcel No.	Ad Valorem Taxes	Special Assessments	Total Taxes Collected	Outstanding Taxes Due	Percent Delinquent
Craft Development, LLC	0106-00-003.00	\$69,165.44	\$0.00	\$69,165.44	\$0.00	100.00%
Total		\$69,165.44	\$0.00	\$69,165.44	\$0.00	100.00%

Foreclosure Proceedings

As of December 31, 2008, there are no special assessments which: (1) are subject to the institution of foreclosure proceedings (but as to which such proceedings have not been instituted); (2) are currently subject to foreclosure proceedings which have not been concluded; (3) have not been reduced to judgment but not collected; or (4) have been reduced to judgment and collected.

Principal District Taxpayers

The total amount of ad valorem real property taxes collected from the District in fiscal 2008-2009 was \$69,165. Based on the Lancaster County's tax records Craft Holdings, LLC owns the parcel that comprises the District. For fiscal year 2008-2009, Craft Holdings, LLC was responsible for payment of \$69,165 in ad valorem real property taxes. This amount represents 100.0 percent of the total ad valorem real property taxes in the District. There were no special assessments levied for collection during fiscal year 2008-2009.

Table VI-3 on the following page depicts a listing of each taxpayer responsible for payment of more than five percent of the levy of ad valorem real property taxes or special assessments in fiscal year 2008-2009, the amount of ad valorem real property taxes and special assessments against such taxpayers and the percentage of such ad valorem real property and special assessments relative to the entire levy of ad valorem real property taxes and special assessments within the District.

**Table VI-3
Principal District Taxpayers**

Taxpayer	Tax Parcel No.	Ad Valorem Taxes	Special Assessments	Percent of Total
Craft Development, LLC	0106-00-003.00	\$69,165.44	\$0.00	100.00%
Total		\$69,165.44	\$0.00	100.00%

Special Assessment Prepayments

Table VI-3 below shows provides a summary of the prepayments for the Edgewater II development as of December 31, 2008.

**Table VI-3
District Prepayments**

Lot Type	Prepaid Units	Principal Assessment Per Unit Paid	Total Principal Assessments Per Class Paid
Full Prepayment Series 2007B			
Category 2	1	\$67,919.00	\$67,919.00
Category 5	2	\$30,308.68	\$60,617.36
Total:			\$128,536.36

D. SIGNIFICANT AMENDMENTS TO LAND USE OR LEGAL CHALLENGES TO CONSTRUCTION OF THE DEVELOPMENT OR THE DISTRICT

Neither County nor the Administrator has actual knowledge to any significant amendments to the land use entitlements or legal challenges to the construction of the Development.

E. CHANGES TO THE CONSTRUCTION OF THE 2007 PROJECT

Other than the information reported by the developer in its quarterly continuing disclosure statements, the administrator has no knowledge of any changes approve by the County for the construction of the 2007 Project as stated in the Limited Offering Memorandum.

F. DEBT SERVICE AND SPECIAL ASSESSMENT REVENUES SCHEDULES

Debt service and special assessment revenue schedules for Series 2007 A and B are shown in Tables VI-4 and VI-5 on the following page.

**Table VI-4
Revised Series 2007A Bonds Debt Service Schedule**

Year	Principal	Interest	Administrative Expenses	Annual Payment
2008	\$0	\$184,580	\$40,000	\$224,580
2009	\$0	\$184,580	\$40,800	\$225,380
2010	\$85,000	\$184,580	\$41,616	\$311,196
2011	\$92,000	\$182,880	\$42,448	\$317,328
2012	\$99,000	\$181,040	\$43,297	\$323,337
2013	\$107,000	\$179,060	\$44,163	\$330,223
2014	\$115,000	\$176,920	\$45,046	\$336,966
2015	\$124,000	\$174,620	\$45,947	\$344,567
2016	\$133,000	\$172,140	\$46,866	\$352,006
2017	\$144,000	\$169,480	\$47,804	\$361,284
2018	\$155,000	\$166,600	\$48,760	\$370,360
2019	\$167,000	\$163,500	\$49,735	\$380,235
2020	\$180,000	\$160,160	\$50,730	\$390,890
2021	\$194,000	\$156,560	\$51,744	\$402,304
2022	\$209,000	\$152,680	\$52,779	\$414,459
2023	\$225,000	\$148,500	\$53,835	\$427,335
2024	\$243,000	\$144,000	\$54,911	\$441,911
2025	\$261,000	\$139,140	\$56,010	\$456,150
2026	\$281,000	\$133,920	\$57,130	\$472,050
2027	\$303,000	\$128,300	\$58,272	\$489,572
2028	\$327,000	\$122,240	\$59,438	\$508,678
2029	\$352,000	\$115,700	\$60,627	\$528,327
2030	\$379,000	\$108,660	\$61,839	\$549,499
2031	\$409,000	\$101,080	\$63,076	\$573,156
2032	\$441,000	\$92,900	\$64,337	\$598,237
2033	\$475,000	\$84,080	\$65,624	\$624,704
2034	\$512,000	\$74,580	\$66,937	\$653,517
2035	\$551,000	\$64,340	\$68,275	\$683,615
2036	\$594,000	\$53,320	\$69,641	\$716,961
2037	\$640,000	\$41,440	\$71,034	\$752,474
2038	\$689,000	\$28,640	\$72,454	\$790,094
2039	\$743,000	\$14,860	\$73,904	\$831,764
Total	\$9,229,000	\$4,185,080	\$1,769,081	\$15,183,161

As of December 31, 2008, three prepayments in the total amount of \$128,536.36 have been received by the trustee. Series 2007B Bonds in the amount of \$129,000 were redeemed, reducing the principal for the Series 2007B Bonds from \$19,651,000 to \$19,522,000.

Table VI-5
Revised Series 2007B Bonds Debt Service Schedule

Year	Principal	Interest & Administrative Expenses	Annual Payment
2008	\$0	\$1,437,471	\$1,437,471
2009	\$0	\$1,523,594	\$1,523,594
2010	\$0	\$1,524,002	\$1,524,002
2011	\$0	\$1,524,418	\$1,524,418
2012	\$0	\$1,524,843	\$1,524,843
2013	\$0	\$1,525,276	\$1,525,276
2014	\$0	\$1,525,717	\$1,525,717
2015	\$0	\$1,526,168	\$1,526,168
2016	\$0	\$1,526,627	\$1,526,627
2017	\$19,522,000	\$1,527,096	\$21,049,096
Total	\$19,522,000	\$15,165,211	\$34,687,211

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 special 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 2007 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 the developer regarding the occurrence of any significant event and they have reported that 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.

To the knowledge of the administrator, no listed events have occurred as of December 31, 2008.