

**\$9,440,000**  
**H2O COMMUNITY DEVELOPMENT AUTHORITY**  
**SPECIAL ASSESSMENT BONDS**  
**SERIES 2007**

**DEVELOPER'S CONTINUING DISCLOSURE STATEMENT**

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

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement") by and between the undersigned, Sandler at Coliseum Central, L.L.C (the "Company") and MuniCap, Inc. (the "Administrator") entered in to in connection with the issuance of \$9,440,000 in aggregate principal amount of H2O Community Development Authority Special Assessment Bonds Series 2007 (the "Bonds"), the Company hereby provides the following information as of December 31, 2007. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated April 26, 2007. To the best of the knowledge of the undersigned:

**1) Status of Development and Completion of the Public Improvements:**

<b>Public Improvement</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
On Site Infrastructure	\$4,096,850	-	\$4,096,850	\$3,066,273	74.8%
Storm Water Management	\$174,340	-	\$174,340	\$2,200	1.3%
Sanitary Sewer	\$348,750	-	\$348,750	\$195,713	56.1%
Freeman Drive Improvements	\$1,163,250	-	\$1,163,250	\$334,492	28.8%
Relocation of Coliseum Power Line, Storm Sewer and other Utilities	\$747,500	-	\$747,500	\$215,760	28.9%
Landscaping	\$575,000	-	\$575,000	\$19,114	3.3%
<b>Total Public Improvement Financed by the Series 2007 Bonds</b>	<b>\$7,105,690</b>	<b>-</b>	<b>\$7,105,690</b>	<b>\$3,833,552</b>	<b>54.0%</b>

**2) Status of Development**

All information below pertains to Phase 1 of the project. Construction on Phase 2 of the project has not commenced.

**A) Status of road improvements:**

- Work already completed: all on site stone base and curb and gutter; demolition of Freeman Drive.
- Work currently underway: reconstruction of Freeman Drive.
- Work remaining: asphalt base and top courses on all on-site (internal) roadways and Freeman Drive.

**B) Status of water infrastructure:**

- Work completed: installation of all on-site (internal) mains and the water main on Freeman Drive.
- Work currently underway: installation of on-site services.

**C) Status of sanitary sewer infrastructure:**

- Construction of sanitary sewer infrastructure is 100% complete.

**D) Status of storm water management systems:**

- Construction of storm water management systems is 100% complete.

**E) Status of streetscape, landscape, irrigation, recreation and other infrastructure and private utilities developments:**

- Work remaining: work has not yet commenced as it relates to this category of development. (Costs drawn to date relate to landscape design; no development work has begun in this category.)

- 3) **Material Changes in the Residential Development Composition:** There have been no material changes in residential development composition and potential addition of land to the district as described in the Limited Offering Memorandum.

**Residential Development Composition**

<b>Residential Lots</b>	<b>Number of Lots/Units</b>	<b>Average Square Footage</b>
<b>Phase 1</b>		
Four-story multi-family flats	90	1,208
Four-story stacked town homes (50')	32	1,793
Four-story stacked town homes ( 57')	70	1,793
Three-story town homes	54	1,983
Subtotal - Phase 1	<b>246</b>	
<b>Phase 2</b>		
Four-story multi-family flats	180	1,208
Four-story stacked town homes (50')	38	1,793
Three-story town homes	17	1,983
Subtotal - Phase 2	<b>235</b>	
<b>Total (Phases 1 and 2)</b>	<b>481</b>	

**Potential Additions of Land to the District – Additional Development**

<b>Residential Lots</b>	<b>Number of Lots/Units</b>	<b>Average Square Footage</b>
<b>Phase 3</b>		
Four-story stacked town homes	8	1,793
Three-story town homes	31	1,983
Subtotal - Phase 3	<b>39</b>	
<b>Phase 4</b>		
Three-story town homes	63	1,983
Subtotal - Phase 4	<b>63</b>	
<b>Total (Phases 3 and 4)</b>	<b>102</b>	

**4) Status of Financing**

**A. Loans Secured by Property within the District:**

**Land Acquisition Loan:**

- Land Agreement Promissory Note: \$4,154,735.00
- Amount drawn through 12/31/07: \$4,154,735.00
- Amount repaid through 12/31/07: \$1,507,367.50
- Balance at 12/31/07: \$2,647,367.50
- Interest rate: 0.0 percent

**Bank of America, N.A., Chesapeake Homes Loan (see additional disclosure in item 13 below):**

- Loan Amount: \$30,000,000.00
- Amount drawn through 12/31/07: \$13,214,900.00
- Amount repaid through 12/31/07: \$0.00
- Balance at 12/31/07: \$13,214,900.00
- Interest rate: LIBOR plus 2.25 percent

**B. Material changes to the Plan of Finance:**

There have been no material changes to the Plan of Finance as described in the Limited Offering Memorandum. (See additional disclosure in item 13 below.)

**C. Event of Default on any Loan:**

The developer has not received formal written notice and is not aware of any default on any loan.

**D. Liens:**

There exist no other liens for borrowed money secured by the property owned by the company in the district.

**5) The development is anticipated to be completed by 2013.**

6) Government Permits and Approvals:

Permit/Approval	Approved	Projected Date of Permit	Permit Status
<b>Phase 1</b>			
Final Site Plan Approval	Yes	NA – approved	Approved by City of Hampton
Land Disturbance Permit	Yes	NA – approved	Approved by City of Hampton
Wetlands Permit	Yes	NA – approved	Wetlands permit obtained
Site Construction Permit	Yes	NA – approved	Approved by City of Hampton
Water Distribution System	Yes	NA – approved	Approved by Newport News Waterworks
<b>Phase 2</b>			
Land Disturbance Permit	No	February 2009	Not yet submitted for approval
Wetlands Permit	Yes	NA – approved	Wetlands permit obtained
Site Construction Permit	No	March 2009	Not yet submitted for approval
Water Distribution System	No	May 2009	Not yet submitted for approval
Final Site Plan Approval	No	April 2009	Not yet submitted for approval

7) Status of Lot and Home Sales and Closings:

A) Status of Lot Sales and Closings with Homebuilders:

Residential Type	Planned Number of Units	Homebuilder	Lots Sold	Lots Closed
<b>Phase 1</b>				
Four-story multi-family flats	90	Chesapeake Homes	90	90
Four-story stacked town homes	102	Chesapeake Homes	102	102
Three-story town homes	54	Chesapeake Homes	54	54
<b>Phase 2</b>				
Four-story multi-family flats	180	Chesapeake Homes	180	-
Four-story stacked town homes	38	Chesapeake Homes	38	-
Three-story town homes	17	Chesapeake Homes	17	-
<b>Total</b>	<b>481</b>		<b>481</b>	<b>246</b>

**B) Status of Building Permits, Home Sales and Closings:**

<b>Residential Type</b>	<b>Planned Number of Units</b>	<b>Building Permits Issued</b>	<b>Homes Sold</b>	<b>Homes Closed</b>	<b>Average Selling Price</b>
<b>Phase 1</b>					
Four-story multi-family flats	90	-	-	-	NA
Four-story stacked town homes	102	-	-	-	NA
Three-story town homes	54	7	-	-	NA
<b>Phase 2</b>					
Four-story multi-family flats	180	-	-	-	NA
Four-story stacked town homes	38	-	-	-	NA
Three-story town homes	17	-	-	-	NA
<b>Total</b>	<b>481</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>NA</b>

**8) Material Changes in the Form, Organization or Ownership of the Company:**

There have been no material changes in the form, organization or ownership of the company as described in the Limited Offering Memorandum.

**9) Legislative, Administrative or Judicial Challenges:**

There have been no legislative, administrative, or judicial challenges to the construction of the improvements or development within the district.

**10) Material Changes in the Plan to Develop the 2007 Bond Facilities:**

There have been no material changes in the plan to develop the 2007 Bond Facilities as described in the Limited Offering Memorandum.

**11) Amendments or Supplements to the Development/Acquisition Agreement:** There have been no amendments or supplements to the Development/Acquisition Agreement, other than noted below.

There have been no amendments or supplements to the Development/Acquisition Agreement, other than noted below.

At the request of the City of Hampton and the HRHA, the Developer paid a portion of the purchase price for the land to the HRHA earlier than it was due. 50% of the purchase price for the land (\$1,507,367.50) is due at issuance of the first building permit. The Developer paid \$1,070,772.00 on June 8, 2007 to facilitate the City's purchase of a property necessary to accomplish its plans to relocate Freeman Drive. On October 26, 2007, the Developer paid \$436,595.50 to the HRHA. This represents the remainder of 50% payment of the purchase price that became due at issuance of the first building permit.

**12) Notice of Default received or given by the Company under any Sales Agreement:**

There have been no notices of default received or given by the company under any sales agreement between the company and a buyer of land within the district.

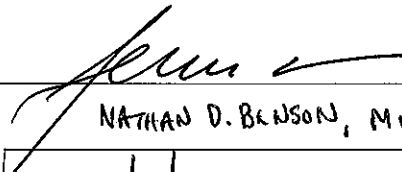
**13) Other Comments:**

The Chesapeake Homes Loan used to fund lot acquisition and home construction activity by Chesapeake Homes is part of a larger residential guidance facility. The maximum borrowing capacity available under the facility is \$70,000,000. This facility was renewed in July 2007 (annual renewals) and the maximum borrowing capacity was maintained at \$70,000,000. The facility may be used to fund other homebuilding projects, as approved by the lender (Bank of America). In October 2007, Bank of America increased its deed of trust on the property to \$30,000,000, which is the maximum estimated financing required to complete construction of the project. (HRHA agreed to this increase and subordinated its second lien on the project to this new financing.) On October 31, 2007, Chesapeake Homes acquired 246 phase 1 lots. In connection with this transfer, Bank of America advanced \$12,801,000 to Chesapeake Homes under the residential guidance facility.

**14) Reporting of Significant Events:**

The developer has not obtained actual knowledge of the occurrence of any significant events attached hereto.

SANDLER AT COLISEUM CENTRAL, L.L.C.

By:   
Title: NATHAN D. BENSON, MANAGER  
Date: 1/31/08

### Significant Events

- (i) failure to pay any real property taxes (including the special assessments) levied within the district on a parcel owned by the company;
- (ii) material damage to or destruction of any development or improvements within the district;
- (iii) material default by the company on any loan with respect to the construction or permanent financing of the development;
- (iv) material default by the company thereof on any loan secured by property within the district owned by the company;
- (v) the filing of the company, any general partner of the company or any owners of more than 25% interest in the company in bankruptcy or any determination that the company or any owner or an interest in the company or a subsidiary of the company is unable to pay its debts as they become due; and
- (vi) the filing of any lawsuit with a claim for damages in excess of \$1,000,000 against the company which may adversely affect the completion of the 2007 bond facilities or development or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the company.