

\$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 September 30, 2008. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated April 26, 2007.

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 September 30, 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, as of September 30, 2008:

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

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
On Site Infrastructure	\$4,096,850	\$0	\$4,096,850	\$3,508,863	85.6%
Storm Water Management	\$174,340	\$0	\$174,340	\$2,200	1.3%
Sanitary Sewer	\$348,750	\$0	\$348,750	\$196,213	56.3%
Freeman Drive Improvements	\$1,163,250	\$0	\$1,163,250	\$666,886	57.3%
Relocation of Coliseum Power Line, Storm Sewer and other Utilities	\$747,500	\$0	\$747,500	\$279,773	37.4%
Landscaping	\$575,000	\$0	\$575,000	\$51,049	6.9%
Total Public Improvement Financed by the Series 2007 Bonds	\$7,105,690	\$0	\$7,105,690	\$4,704,985	66.2%

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, reconstruction of Freeman Drive, base asphalt course on-site and Freeman Drive.
- Work currently underway: no road improvement work is currently in process.
- Work remaining: asphalt 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, and installation of all on-site services.
- Work currently underway: none.

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 underway: work has commenced on the project monument sign (approximately 85% complete).
- Work remaining: complete monument sign.

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

Residential Lots	Number of Lots/Units	Average Square Footage
Phase 1		
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	246	
Phase 2		
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	235	
Total (Phases 1 and 2)	481	

Potential Additions of Land to the District – Additional Development

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

4) Status of Financing

A. Loans Secured by Property within the District:

Land Acquisition Loan:

- Land Agreement Promissory Note: \$4,154,735
- Amount drawn through 9/30/08: \$4,154,735
- Amount repaid through 9/30/08: \$1,507,368
- Balance at 9/30/08: \$2,647,368
- Interest rate: 0.0%

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

- Loan Amount: \$30,000,000
- Amount drawn through 9/30/08: \$13,626,446
- Amount repaid through 9/30/08: \$0
- Balance at 9/30/08: \$13,626,446

- 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:

Neither the Company nor Chesapeake Homes has received written notice of a default or event of default under the Land Acquisition Loan or the Chesapeake Homes Loan but the Company believes that a default exists under such loans for, among other reasons, failure to pay all real estate taxes assessed against the property owned by the Company in the District and because the loan matured in July of 2008 and has not been renewed. The Bank and the Company have been diligently working to restructure the Chesapeake Home Loan to cure the existing defaults.

D. Liens:

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

PLEASE NOTE: The following mechanic's liens have been filed covering the property owned by the Company in the district:

Atlantic Coastal Clearing and Grading, Inc.	7/18/08	\$28,511.12
Bay Concrete Construction Company	7/24/08	\$43,186.35
Branscome Incorporated	7/30/08	\$18,215.79 (paid in full)
Gradeco, Inc.	7/30/08	\$1,152.00 (paid in full)
Kimley-Horn and Associates	8/25/08	\$18,259.40 (paid in full)

The Company has been working with each of the service providers to reach an acceptable payment plan for payment of all amounts that are the subject of the liens. In addition, there have been payments each of the above-listed vendors in connection with the sale of four homes at the end of November, 2008 and four homes at the beginning of December, 2008, resulting in payment in full and release of the mechanic's liens filed by Branscome, Incorporated, Gradeco, Inc. and Kimley-Horn.

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

6) **Government Permits and Approvals:**

Permit/Approval	Approved	Projected Date of Permit	Permit Status
Phase 1			
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
Phase 2			
Land Disturbance Permit	No	February 2010	Not yet submitted for approval
Wetlands Permit	Yes	NA – approved	Wetlands permit obtained
Site Construction Permit	No	March 2010	Not yet submitted for approval
Water Distribution System	No	May 2010	Not yet submitted for approval
Final Site Plan Approval	No	April 2010	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
Phase 1				
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
Phase 2				
Four-story multi-family flats	180	Chesapeake Homes	180	0
Four-story stacked town homes	38	Chesapeake Homes	38	0
Three-story town homes	17	Chesapeake Homes	17	0
Total	481		481	246

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

Residential Type	Planned Number of Units	Building Permits Issued	Homes Sold	Homes Closed	Average Selling Price
Phase 1					
Four-story multi-family flats	90	0	0	0	NA
Four-story stacked town homes	102	0	0	0	NA
Three-story town homes	54	19	18	-	NA
Phase 2					
Four-story multi-family flats	180	0	0	0	NA
Four-story stacked town homes	38	0	0	0	NA
Three-story town homes	17	0	0	0	NA
Total	481	19	18	0	NA

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.

At the request of the City of Hampton and the HRHA, the Company 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 Company 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 Company 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 except as disclosed below.

Significant Events

Pursuant to the Disclosure Agreement, Company 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 company;

PLEASE NOTE: The Company failed to pay the real estate taxes assessed against the property located in the district for the period from January 1, 2008 through June 30, 2008 (2nd half of 2007) which were due on June 5, 2008, in an aggregate amount of \$58,254.57.

- (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;

PLEASE NOTE: Neither the Company nor Chesapeake Homes has received written notice of a default or event of default under the Land Acquisition Loan or the Chesapeake Homes Loan but the Company believes that a default exists under such loans for, among other reasons, failure to pay all real estate taxes assessed against the property owned by the Company in the District and because the loan matured in July of 2008 and has not been renewed. The Bank and the Company have been diligently working to restructure the Chesapeake Home Loan to cure the existing defaults.

- (iv) material default by the company thereof on any loan secured by property within the district owned by the company;

PLEASE NOTE: Neither the Company nor Chesapeake Homes has received written notice of a default or event of default under the Land Acquisition Loan or the Chesapeake Homes Loan but the Company believes that a default exists under such loans for, among other reasons, failure to pay all real estate taxes assessed against the property owned by the Company in the District.

- (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

PLEASE NOTE: The Company is owned by KMWMDLJ, L.L.C., a limited liability company owned by trusts for the benefit of the children of Art B. Sandler and Steve B. Sandler. The Sandlers individually personally guaranty the obligations of the Company as well as the obligations of the numerous entities comprising the Sandler real estate development enterprise. Neither the Company, the owner of the Company nor the Sandlers have filed bankruptcy. Due to adverse economic, market and financial conditions, there has been a material adverse change in the financial condition of the Company and its owner such that the owner of the Company is unable to pay its debts as they become due (though there has been no formal determination thereof). The Company, its Owner and the other entities comprising the Sandler real estate development enterprise have recently been engaged in comprehensive discussions regarding a restructuring of the real estate development obligations, and the entities have requested that its lenders continue to fund the projects on an on-going basis. The Company and its owner, with respect to the project, are negotiating deferred payment plans for those vendors who have not been timely paid, and have put into place joint payment arrangements for CDA funds to ensure the bondholders that the vendors providing materials and services for the Public Improvements are timely paid.

- (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.

SANDLER AT COLISEUM CENTRAL, L.L.C.

By: _____

Nathan D. Benson, Manager

Date: 9/30/08