

\$9,480,000 & \$38,000,000  
CITY OF ATLANTA  
TAX ALLOCATION BONDS  
SERIES 2005A & B  
(EASTSIDE PROJECT "CAPITOL GATEWAY DEVELOPMENT")

DEVELOPER'S CONTINUING DISCLOSURE STATEMENT

Attn: Cheryl Strickland  
Atlanta Development Authority  
86 Pryor Street, Suite 300  
Atlanta, GA 30303

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

In accordance with the "Development Agreement" (the "Agreement") by and between the City of Atlanta (the "City"), Capitol Gateway, LLC (the "Developer"), the Housing Authority of the City of Atlanta (the "Housing Authority"), and Atlanta Development Authority (the "Development Authority") dated as of August 2, 2005, 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 Official Statement dated as of July 18, 2005. To the best of the knowledge of the undersigned:

1. Status of the Improvements Financed with the Bonds:

| Public Improvement                      | Original Budget | Budget Changes | Revised Budget | Work Completed | Percent Completed |
|---|-----------------|----------------|----------------|----------------|-------------------|
| Street Improvements                     | 1,066,681.00\$  | \$             | \$1,066,681.00 | \$889,524.84   | 84%               |
| Water & Sewer Upgrades                  | 2,953,575.00\$  | \$(363,849.00) | \$2,589,726.00 | \$             | 0%                |
| Utility Installation                    | 696,625.00\$    | \$175,588.00   | \$872,213.00   | \$872,213.00   | 100%              |
| Streetscapes, Sidewalks and Landscaping | 583,119.00\$    | \$188,261.00   | \$771,380.00   | \$140,308.30   | 74%               |
| Total:                                  | \$5,300,000     | \$             | \$5,300,000    | \$1,902,046.14 | 37%               |

|   |                     | <u>Expended</u>   | <u>Balance to</u> |
|---|---------------------|-------------------|-------------------|
| <u>Capitol Gateway Apartments Phase I</u> | <u>Total Budget</u> | <u>to Date</u>    | <u>Finish</u>     |
| Construction Costs                        | 21,372,278          | 21,372,276        | 2                 |
| Professional Services                     | 1,507,404           | 1,492,918         | 14,486            |
| Third Party Costs                         | 345,631             | 212,157           | 133,473           |
| Financing Fees                            | 4,010,824           | 3,522,544         | 488,280           |
| Tax Credit Fees                           | 110,014             | 69,664            | 40,350            |
| Syndication Costs                         | 75,000              | 75,000            | 0                 |
| Developer's Overhead and Fee              | 3,895,263           | 1,546,025         | 2,349,238         |
| Start-Up and Reserves                     | 670,000             | 171,602           | 498,398           |
| <b>Total Uses</b>                         | <b>31,986,414</b>   | <b>28,462,186</b> | <b>3,524,228</b>  |

2. Anticipated Completion Date: The anticipated Completion Date in the Development Agreement is 6/30/2007. There has been no change in the anticipated completion date of the project.

Received Temporary Completion of closing June 21, 2007, final completion 7/30/07.

This statement is correct.

3. Government Permits: The following additional government permits have been obtained since the bonds were issued:

Permit for Phase II apartments.

Permits for Phase II, III and IV for public improvements

GDOT permit for sidewalk along Memorial Drive / King Street construction.

4. Closing of any Construction Loans: The developer closed on a loan(s) from Bank of America on October 3, 2005 in the amount of \$16,500,000.00. As of the date of this report, the amount of the loan funded was \$ 16,500,000.00, the amount of the loan repaid was \$ 0, and the balance on the loan was \$ 16,500,000.00.

This statement is correct.

5. Amendments to any Project Financing: There have been no amendments to any Project Financing related to the financing of the project.

This statement is correct.

6. Notice of Default in Construction Loan: The developer has not received formal written notice and is not aware of any default under its Project Financing.

This statement is correct.

7. Notice of Default on Development Agreement: The developer has not received formal written notice and is not aware of any default under the development agreement.

This statement is correct.

8. Marketing, Rentals and Leasing:

a. Apartment Rental Status:

| Unit Type     | Total Units | Total Authority Assisted Units / Number Rented | Average Monthly AA Rental Rate | Total LIHTC Units / Number Rented | Average Monthly LIHTC Rental Rate | Total Market Units/ Number Rented | Average Monthly Market Rental Rate |
|---------------|-------------|--|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| One bedroom   | 93          | 30/30  | \$786                          | 27 / 26                           | \$652.00                          | 38 / 31                           | \$835-850                          |
| Two Bedroom   | 161         | 51/43  | \$1029                         | 43 / 39                           | \$766.00                          | 66 / 43                           | \$985-1150                         |
| Three Bedroom | 12          | 6/6  | \$1078                         | 3 / 3                             | \$869.00                          | 3 / 3                             | \$1280.00                          |
| Four Bedroom  | 3           | 2/2  | 1023                           | 1 / 1                             | \$1,023.00                        | 0                                 |                                    |
| Total:        | 269         | 89 / 81  | \$973.00                       | 74 / 70                           |                                   | 106 / 77                          |                                    |

b. Leasing Status:

| Unit Type                      | Tenants         | Space Leased (in square feet) | Percent of Total Space Leased |
|--------------------------------|-----------------|-------------------------------|-------------------------------|
| <u>Restaurant/Retail Space</u> | N/A for Phase I |                               |                               |
| Total:                         |                 |                               |                               |

9. Property Tax Collections and Delinquencies: The real property taxes billed, paid and delinquent for property owned by the developer in the project for the 2005 - 2006 tax year are as follows:

|                                |                |
|--------------------------------|----------------|
| Real property taxes billed     | \$ <u>0.00</u> |
| Real property taxes paid       | \$ <u>0.00</u> |
| Real property taxes delinquent | \$ <u>0.00</u> |

10. Appeals to Assessed Value: The developer has not filed an appeal to the valuation for real property tax purposes for any of the property owned by the developer in the project.

This statement is correct.

11. Exemption from Taxation: The developer has not applied for or received an exemption from real property tax purposes for any property owned by the developer in the project.

The City provides tax abatement applicable to public housing units based on OCGA 8-3-8.

Change in Form, Organization or Ownership of the Developer: There have been no material changes to the form, organization or ownership of the developer (as described within the Official Statement under the sub-caption "THE DEVELOPERS AND DEVELOPMENT - The Capitol Gateway Development").

This statement is correct.

12. Legislative, Administrative or Judicial Challenges: To the best knowledge of the developer, there have been no legislative, administrative, or judicial challenges to the construction of the project.

This statement is correct.

13. The developer has not obtained actual knowledge of the occurrence of any Developer Significant Events, as listed below.

N/A

CAPITOL GATEWAY, LLC

By: Capitol Gateway, LLC

By: \_\_\_\_\_

Title: Development Director

Date: October 30, 2007

#### DEVELOPER SIGNIFICANT EVENTS

According to the Exhibit S of the Development Agreement, developer significant events include the following:

- (i) failure to pay any real property taxes (including the special taxes) 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;
- (iii) the exercise of an option to purchase or sell or the purchase or sale of any land within the district by the developer;
- (iv) material default by the developer or any affiliate thereof on any loan with respect to the construction or permanent financing of Atlanta Eastside or the Capitol Gateway Development;
- (v) material default by the developer or any affiliate thereof on any loan secured by property within the district owned by the developer or any affiliate of the developer;

- (vi) payment default by the developer or any affiliate thereof on any loan to such party (whether or not such loan is secured by the property within the district);
- (vii) the filing by or against the developer or any affiliate thereof, the general partner of the developer or any owners of more than 25% interest in the developer of any petition or other proceeding under any bankruptcy, insolvency or similar law or any determination that the developer or 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
- (viii) 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 Atlanta Eastside or the Project (as defined in the Development Agreement) or litigation in excess of \$1,000,000 which would materially adversely affect the financial condition of the developer.