

DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

\$12,960,000

*County of Buncombe, North Carolina
Project Development Financing Revenue Bonds
(Woodfin Downtown Corridor Development)
Series 2008*

Prepared by

MUNICAP, INC.

March 16, 2009

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

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I. UPDATED INFORMATION

Information updated from the Limited Offering Memorandum, dated August 8, 2008 is as follows:

- As of December 31, 2008, the developer reports that \$6,900,603 of the Series 2008 Bond proceeds had been expended for the construction of the public improvements, representing 72 percent of the amount to be funded with the Series 2008 Bonds.
- As of December 31, 2008, the developer reports that the main lines for the water, sewer and storm drainage systems are complete. The developer also reports that mass grading is complete. According to the developer, the construction of curbs and gutters is completed except for parking areas.
- As of December 31, 2008, the developer reports that there have been two commercial tenant leases signed for office space within the district. According to the developer, a total of 9.9 percent of the commercial space has been leased.
- As of December 31, 2008, the developer reports that there have been no building permits issued by the county with respect to residential or commercial buildings to be built as part of the project.
- As of December 31, 2008, the Buncombe County Department of Permits and Inspection reports that there have been no occupancy permits issued by the county with respect to residential and commercial buildings to be built as part of the project.
- As of December 31, 2008, the developer reports that the outstanding principal balance on the acquisition and development loan was \$17,603,624. The loan carries an interest rate of 5.40 percent and matures March 31, 2010.
- According to the Buncombe County Tax Department, the 2008 assessed value of the district is \$3,300,600. The Base Value of the district was \$2,218,800. As a result, the assessed value of the district has increased by \$1,081,800.
- As of December 31, 2008, according to the Buncombe County Department of Real Estate and Tax Assessment's website, the calendar year 2008 ad valorem real property tax rate was \$1.040 per \$100 of assessed valuation.

II. INTRODUCTION

The County of Buncombe, North Carolina, issued the Series 2008 Project Development Financing Revenue Bonds pursuant to (i) the Constitution and laws of the State of North Carolina, including particularly Chapter 159, Article 6 of the North Carolina General Statutes (the “N.C.G.S.”), known as the “North Carolina Project Development Financing Act,” and Chapter 158, Article 1 of the N.C.G.S., known as the “Local Development Act of 1925,” (ii) the Development, Acquisition and Financing Agreement, between the county, the Town of Woodfin, and Reynolds Mountain Partners, LLC, dated as of August 1, 2008, (iii) the Development Financing Plan, adopted by the governing body of the town and the governing body of the county on November 21, 2006, (iv) the Interlocal Agreement between the town and the county dated as of August 1, 2008, (v) the Minimum Assessment Agreement dated as of August 1, 2008, among the town, the county and the developer, (vi) the Option Agreement dated as of August 1, 2008, among the town, the county and the developer, and (vii) the General Trust Indenture dated as of August 1, 2008, between the county and U.S. Bank National Association, as trustee, as supplemented by the Series Indenture, dated as of August 1, 2008.

According to the Limited Offering Memorandum, the district is located on either side of Interstate 26 in the Town of Woodfin, North Carolina, and is comprised of approximately 205 acres of real property. The developer owns all of the real property in the district except 29 parcels consisting of approximately 46.9 acres, which are owned by unrelated third parties. The developer is expected to construct public improvements within or serving the district, including infrastructure improvements in and around the district, public sewer line and water line extensions, public landscaping, pedestrian walkways, bike trails and other community elements (the “Public Project”). The developer is also expected to construct a private, mixed-use development in the district called the Village at Reynolds Mountain (the “Private Project”). Approximately 100 acres of the district are expected to be developed with mixed-family residential units, 80 acres of public green space, approximately 158,095 square feet of retail space and approximately 25,000 square feet of office and other commercial space in six three story buildings.

The developer of the project is Reynolds Mountains Partners, LLC, a North Carolina limited liability company, and its successors and assigns, which is the owner of a majority of the property in the district.

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 developer is expected to construct public improvements within or serving the district, including infrastructure improvements in and around the district, roads (including Corridor Road, Senator Reynolds Road, as well as entry roads and access to commercial and residential roads not yet named), public sewer line and waterline extensions, public landscaping, pedestrian walkways, bike trails, and other community elements (the “Public Project”). Additionally, the public project in subsequent phases may include a public parking structure in the district.

According to the Limited Offering Memorandum, the developer is expected to construct a private, mixed-use development in the district called the Village at Reynolds Mountain (the “Private Project”). The private project is anticipated to occur in two portions of the district, generally on either side of Interstate 26. The Village at Reynolds Mountain contains approximately 64 acres and is expected to consist of residential development with a mix of some or all of the following house types: low-rise condominiums, mid-rise condominiums, and townhouses. The commercial portion of the development contemplates approximately 158,095 square feet of retail space and approximately 25,000 square feet of office and other commercial space in six three-story buildings. At the time of bond issuance, specific plans for an additional development pad that will be served by the public project had not been set, but may include a hotel, lodge or as many as 65 additional residential units.

According to the Limited Offering Memorandum, the project is anticipated to be completed in three phases, with each phase consisting of portions of the public project and the private project. The public project is expected to serve the private project and the Town of Woodfin. Upon completion of each construction phase, the town is expected to acquire the portion of the public project constructed as part of each such phase. The costs of the first phase of the public project and private project are expected to be financed with the proceeds of the Series 2008 Bonds and contributions by the developer.

B. GOVERNMENTAL APPROVALS

According to the Limited Offering Memorandum, approximately 30 acres within the district is a former municipal landfill for the City of Asheville, North Carolina. The Town of Woodfin and the State Department of Environment and Natural Resources have entered into a Brownfields Agreement dated March 21, 2007, with respect to the landfill site. Under the agreement, the landfill site is divided into two general areas – land containing waste and required to have continued monitoring for any emissions on which there can be no residential use and other areas related thereto but not containing waste. The latter portion of the landfill site may be used for the location of portions of the project. The Brownfields Agreement is in full force and effect and planned development of the district, including the private and public projects, is in compliance therewith.

According to the Limited Offering Memorandum, all required permits and zoning for the project had been received at the time the Series 2008 Bonds were issued. Aside from the location of the landfill site, there are no other known environmental concerns with respect to the district or the project.

C. STATUS OF THE PUBLIC IMPROVEMENTS

As of December 31, 2008, the developer reports that the main lines for the water, sewer and storm drainage systems are complete. The developer also reports that mass grading is complete. According to the developer, the construction of curbs and gutters is completed except for parking areas.

As of December 31, 2008, the developer reports that \$6,900,603 of the Series 2008 Bond proceeds had been expended for the construction of the public improvements, representing 72 percent of the amount to be funded with the Series 2008 Bonds. Table III-2 below shows the public improvements, the original budget, budget changes, the revised budget and the amount spent by line item as reported by the developer as of December 31, 2008.

**Table III-5
Public Improvements**

Public Improvements	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Mobilization	\$105,000	\$0	\$105,000	\$100,415	96%
Grading & clearing	\$2,975,000	\$0	\$2,975,000	\$2,958,018	99%
Trench, mass and ripped rock	\$625,000	\$0	\$625,000	\$619,101	99%
Parks & recreation	\$150,000	\$0	\$150,000	\$0	0%
Pedestrian circulation	\$700,000	\$0	\$700,000	\$0	0%
Roadways & parking	\$1,604,995	\$0	\$1,604,995	\$565,435	35%
Sewer lines	\$365,000	\$0	\$365,000	\$363,938	100%
Storm water	\$485,000	\$0	\$485,000	\$408,867	84%
Traffic & streetscape elements	\$550,000	\$0	\$550,000	\$145,055	26%
Waterlines	\$409,000	\$0	\$409,000	\$299,457	73%
<i>Subtotal hard costs</i>	<i>\$7,968,995</i>	<i>\$0</i>	<i>\$7,968,995</i>	<i>\$5,460,286</i>	<i>69%</i>
Engineering fees	\$665,000	\$0	\$665,000	\$665,000	100%
Performance bonds	\$50,000	\$0	\$50,000	\$49,038	98%
Other fees	\$630,000	\$0	\$630,000	\$610,744	97%
Contingency fees	\$279,390	\$0	\$279,390	\$115,535	41%
<i>Subtotal soft costs</i>	<i>\$1,624,390</i>	<i>\$0</i>	<i>\$1,624,390</i>	<i>\$1,440,317</i>	<i>89%</i>
Total public improvements	\$9,593,385	\$0	\$9,593,385	\$6,900,603	72%

D. STATUS OF DEVELOPMENT

Residential Development

As of December 31, 2008, the developer reports that there have been no building permits issued by the county with respect to residential or commercial buildings to be built as part of the project. The Buncombe County Department of Permits and Inspection reports that there has been no occupancy permits issued with respect to residential or commercial buildings. Table III-1 on the following page shows the number of lots sold and closed as of December 31, 2008.

Table III-1
Building Permits and Lots Sold and Closed

Residential Type	Planned Number of Units	Building Permits Issued	Occupancy Permits Issued	Lots Sold	Lots Settled
Terraces	30	0	0	0	0
Courtyards	36	0	0	0	0
Porches	32	0	0	0	0
Loft One	30	0	0	0	0
Loft Two	41	0	0	0	0
Total	169	0	0	0	0

Commercial Development

As of December 31, 2008, the developer reports that there have been two commercial tenant leases signed for office space within the district. According to the developer, a total of 9.9 percent of the commercial space has been leased. Table III-2 below shows a listing of occupancy, lease area and percentage of available space as reported by the developer as of December 31, 2008.

Table III-2
Status of Commercial Leasing

Development Type	Tenant	Square Feet	Percent of Total
Office Leases	YMCA	15,432	8.4%
	Care Partners	2,765	1.5%
	Other leasable office space	6,730	3.7%
	<i>Subtotal office space</i>	<i>24,927</i>	<i>13.6%</i>
Retail Leases	Leasable retail space	158,095	86.4%
	Total commercial space	183,022	100.0%

E. STATUS OF FINANCING

According to the Limited Offering Memorandum, the developer has received an acquisition and development loan from Wachovia Bank, National Association providing for the advance, under certain conditions, of up to \$30,947,820 (provided that the total principal balance of all advances outstanding at any one time may not exceed \$20,000,000) to pay for construction of the private and public projects. As of December 31, 2008, the developer reports that the outstanding principal balance on the acquisition and development loan was \$17,603,624. The loan carries an interest rate of 5.40 percent and matures March 31, 2010.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2008 Bonds in U.S. Bank National Association. The initial deposits, interest paid, additional proceeds, disbursements and account balances for each fund as of December 31, 2008, are shown in the table below.

**Table IV-1
Account Balances**

Fund	Initial Deposits	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/08
Bond Fund	\$0	\$0	\$0	\$0	\$0
Reserve Fund	\$1,296,000	\$9,760	\$0	\$0	\$1,305,760
Project Fund	\$7,770,954	\$10,577	\$0	\$7,187,888	\$593,644
Capitalized Interest Account	\$2,270,376	\$17,098	\$0	\$0	\$2,287,475
Working Capital Account	\$1,209,661	\$9,110	\$0	\$0	\$1,218,771
Total	\$12,546,991	\$46,545	\$0	\$7,187,888	\$5,405,649

Disbursements from the Project Fund represent payments for administrative expenses and the costs of constructing the public improvements.

The bond proceeds are invested in money market funds currently earning interest at 2.39 percent per annum. Table IV-2 below shows the rate of return on the funds and accounts held by the trustee as of December 31, 2008.

According to the Trust Indenture dated as of August 1, 2008, investment income on the Reserve Fund will be transferred to the Bond Fund and be used for the purposes of that account. Investment income on the Project Fund will be used for the payment of construction costs and the costs of issuance of the Series 2008 Bonds as well as payment of debt service in the event of insufficient funds in the Bond Fund. Investment earnings on the Capitalized Interest Account will be used to pay debt service on the Series 2008 Bonds until August 1, 2011. Investment income on the Working Capital Account will be used for the purposes of that account.

**Table IV-2
Rate of Return**

Account	Rate of Return
Reserve Fund	2.39%
Project Fund	2.39%
Capitalized Interest Account	2.39%
Working Capital Account	2.39%

V. DISTRICT FINANCIAL INFORMATION

The information provided in this section is to meet the requirements for the annual report as provided for in Section Six 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. RESIDENTIAL AND COMMERCIAL BUILDING PERMITS

As of December 31, 2008, the developer reports that there have been no building permits issued by the county with respect to residential and commercial buildings to be built as part of the project.

B. RESIDENTIAL AND COMMERCIAL OCCUPANCY PERMITS

As of December 31, 2008, the Buncombe County Department of Permits and Inspection reports that there have been no occupancy permits issued by the county with respect to residential and commercial buildings to be built as part of the project.

C. ASSESSED VALUATION AND APPLICABLE TAX RATES

Assessed Valuation

According to the Buncombe County Tax Department, the calendar year 2008 assessed value of the district is \$3,300,600. The Base Value of the district was \$2,218,800. As a result, the assessed value of the district has increased by \$1,081,800.

Applicable Tax Rates

According to the Buncombe County Department of Real Estate and Tax Assessment's website, the calendar year 2008 ad valorem real property tax rate was \$1.040 per \$100 of assessed valuation. Table V-1 below shows the calendar year 2008 ad valorem tax rate by county, town, fire district and school district as reported by Buncombe County.

Table V-1
2008 Ad Valorem Tax Rates

District	2008 Tax Rates
Buncombe County	\$0.525
Town of Woodfin	\$0.265
Woodfin Fire District	\$0.100
Asheville Local Tax District	\$0.150
Total	\$1.040

D. AGGREGATE ANNUAL DEBT SERVICE

As of December 31, 2008, there have been no incremental revenues deposited into the Incremental Revenue Fund.

The following table sets forth the amounts payable for principal (or mandatory sinking fund installment) of and interest on the Series 2008 Bonds for each bond year ending August 1.

Table V-2
Debt Service Requirements

Year	Principal	Interest	Total
2009	\$0	\$871,293	\$871,293
2010	\$0	\$917,150	\$917,150
2011	\$0	\$917,150	\$917,150
2012	\$0	\$917,150	\$917,150
2013	\$700,000	\$917,150	\$1,617,150
2014	\$150,000	\$869,900	\$1,019,900
2015	\$265,000	\$859,775	\$1,124,775
2016	\$285,000	\$841,888	\$1,126,888
2017	\$305,000	\$822,650	\$1,127,650
2018	\$325,000	\$802,063	\$1,127,063
2019	\$345,000	\$780,125	\$1,125,125
2020	\$370,000	\$756,838	\$1,126,838
2021	\$395,000	\$731,863	\$1,126,863
2022	\$420,000	\$705,200	\$1,125,200
2023	\$450,000	\$676,850	\$1,126,850
2024	\$480,000	\$646,475	\$1,126,475
2025	\$515,000	\$614,075	\$1,129,075
2026	\$550,000	\$576,738	\$1,126,738
2027	\$590,000	\$536,863	\$1,126,863
2028	\$635,000	\$494,088	\$1,129,088
2029	\$680,000	\$448,050	\$1,128,050
2030	\$730,000	\$398,750	\$1,128,750
2031	\$780,000	\$345,825	\$1,125,825
2032	\$835,000	\$289,275	\$1,124,275
2033	\$895,000	\$228,738	\$1,123,738
2034	\$2,260,000	\$163,850	\$2,423,850
Total	\$12,960,000	\$17,129,768	\$30,089,768

E. FUND BALANCES

The fund balances in all of the funds and accounts, as of December 31, 2008, provided for in the Indenture of Trust are included in Table IV-1 of Section IV, "Trustee Accounts," of this report.

F. LEGISLATIVE, ADMINISTRATIVE OR JUDICIAL CHALLENGES

To the knowledge of the administrator, there have been no material legislative, administrative or judicial challenges to the Development Financing Plan, to the project or the district, to the validity of the 2008 Bonds or to the validity of any act of the county taken in connection with the execution and delivery of the Trust Indenture or the Development Agreement.

VI. MATERIAL EVENTS

Pursuant to the Continuing Disclosure Agreement, material events include the following:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Adverse tax opinions or events affecting the tax-exempt status of the Series 2008 Bonds;
- (v) Modifications to the rights of security holders;
- (vi) Bond calls;
- (vii) Defeasances;
- (viii) Release, substitution or sale of property securing repayment of the securities;
- (ix) Material changes in the Base Valuation (as defined in the Limited Offering Memorandum) of the property in the district;
- (x) Material delays in the construction of the project; and
- (xi) Damage or destruction of any of the residential or commercial buildings constructed as part of the project.

The administrator does not have knowledge of any material event as of the date of this report.