

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

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"), 565 Development, 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, 2005. 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: [Please update the table below with any budgetary changes, the corresponding revised budget, draws on the improvement fund and the percent of work complete by budget line item for each of the public improvements to be financed with the Series 2005 Bonds.]

Reynolds Construction Budget	Original Budget	Budget Changes	Revised Budget	Work Completed	Percent Completed
Land	\$3,225,000	\$0	\$3,225,000	\$3,200,000	100%
Hard Costs					
Site Development	\$120,000	\$0	\$120,000	\$163,646	100%
Building Construction	\$23,840,000	\$0	\$23,840,000	\$9,791,335	40.70%
Hard Cost Contingency	\$950,000	\$0	\$950,000	\$0	0.00%
Total Hard Costs	\$24,910,000	\$0	\$24,910,000	\$9,954,981	39.98%
Soft Costs					
Pre-Acquisition Expense	\$15,000	\$0	\$15,000	\$13,356	100%
Architecture and Consultants	\$738,000	\$0	\$738,000	\$752,191	96.87%
Development Overhead	\$342,000	\$0	\$342,000	\$25,474	7.45%
Marketing and Sales	\$1,510,000	\$0	\$1,510,000	\$208,451	13.80%
Financing Expense	\$1,531,500	\$0	\$1,531,500	\$373,621	24.31%
Legal and Accounting	\$99,500	\$0	\$99,500	\$209,739	99.96%
Developer's Fee	\$1,000,000	\$0	\$1,000,000	\$799,997	80.00%
Soft Cost Contingency	\$129,000	\$0	\$129,000	\$0	0.00%
Total Soft Costs	\$5,365,000	\$0	\$5,365,000	\$2,382,829	44.13%
Total Project Budget	\$33,500,000	\$0	\$33,500,000	\$15,537,810	46.38%
TAD Contingency	\$700,000	\$0	\$700,000	\$0	0.00%
Total:	\$34,200,000	\$0	\$34,200,000	\$15,537,810	46.38%

2. Anticipated Completion Date: The anticipated Completion Date in the Development Agreement is March 28, 2006. There has been a change in the anticipated completion date of the project. [Please verify the statement above or provide the new anticipated completion date in the space provided below.]

New Date – April 15, 2006

3. Government Permits: The following additional government permits have been obtained since the bonds were issued: [Please describe any additional permits obtained in the space provided below.]

There are no Government Permits.

4. Closing of any Construction Loans: The developer closed on a loan(s) from Corus Bank on December 17, 2004 in the amount of \$23,400,000. As of the date of this report, the amount of the loan funded was \$5,437,810, the amount of the loan repaid was \$0.00, and the balance on the loan was \$5,437,810. [If applicable, please complete the statement above.]
5. Amendments to any Project Financing: There have been no amendments to any Project Financing related to the financing of the project. [Please verify the statement above or describe any changes to the Project Financing related to the financing of the project in the space provided below.]

There are no Amendments to Project Financing.

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. [Please verify the statement above or describe any event of default on the Project Financing in the space provided below.]

There is no Notice of Default on Construction Loan.

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. [Please verify the statement above or describe any event of default on the development agreement in the space provided below.]

There is no Notice of Default on Development Agreement.

8. Marketing and Sales:

- a. Unit Sales: [In the table provided below, please provide the number of one and two bedroom condominium units sold and closed, and the average sales price for the condominium units sold by type.]

Unit Type	Number of Units Sold	Number of Units Closed	Average Sales Price	Total Units
One bedroom	0	0	N/A	24
Two Bedroom	0	0	N/A	106
Total:	0	0	N/A	130

- b. Leasing Status: [In the table provided below, please provide the name of the tenant for which leases have been signed and the square footage of the lease by retail/commercial space type.]

Unit Type	Tenants	Space Leased (in square feet)	Percent of Total Space Leased
<u>Restaurant/Retail Space</u>	No Leases/Sales	8,000	100%
Subtotal:			
<u>Commercial Loft Space</u>	No Leases/Sales	3,000	100%
Subtotal:			
Total:		11,000	100%

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	\$19,778.62
Real property taxes paid	\$19,778.62
Real property taxes delinquent	\$0.00

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. [Please

confirm the statement above or, if an appeal has been filed, please so state and provide information regarding the appeal in the space provided below.]

There have been no appeals to Assessed Value.

11. Exemption from Taxation: The developer has not applied for or received an exemption from real property tax purposes fro any property owned by the developer in the project. [Please confirm the statement above or describe in the space below any exemptions applied for or received.]

There are no exemptions from Property Taxes.

12. 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 Reynolds Development"). [Please verify the statement above or describe any changes to the form, organization or ownership of the developer in the space provided below.]

There has been no change in ownership form.

13. 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. [Please verify the statement above or describe any changes in the space provided below.]

There has been no Legislative, Administrative or Judicial Challenge.

14. The developer has not obtained actual knowledge of the occurrence of any Developer Significant Events, as listed below. [Please see the list of Developer Significant Events below. Please describe the occurrence of any Developer Significant Events in the space provided below.]

No Developer Significant Events have occurred.

565 DEVELOPMENT, LLC

By: 565 Development, LLC

By: [Signature]

Title: Managing Member Duke B. Riley

Date: Oct 28, 2005

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 Reynolds Project;
- (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.