

**\$12,960,000**  
**COUNTY OF BUNCOMBE, NORTH CAROLINA**

**PROJECT DEVELOPMENT FINANCING REVENUE BONDS**

**(WOODFIN DOWNTOWN CORRIDOR DEVELOPEMENT)**  
**SERIES 2008**

**DEVELOPER'S CONTINUING DISCLOSURE STATEMENT**

Attn: Keenan Rice  
MuniCap, Inc.  
6760 Alexander Bell Drive, Suite 220  
Columbia, MD 21046

In accordance with the "Continuing Disclosure Undertaking" (the "Agreement"), by the County of Buncombe, North Carolina (the "County"), Reynolds Mountain Partners, LLC (the "Developer"), and MuniCap, Inc. (the "Administrator"), the developer hereby provides the following information as of September 30, 2008. All terms having initial capitalization and not defined herein shall have the same meanings set forth in a Limited Offering Memorandum dated August 8, 2008. To the best of the knowledge of the undersigned:

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 of 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.

1) Completion of the Public Improvements

A) Public Improvements Budget:

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Mobilization	\$105,000	\$0.00	\$105,000	\$94,900	90%
Grading & Clearing	\$2,975,000	\$0.00	\$2,975,000	\$2,844,203	96%
Trench, Mass and Ripped Rock	\$625,000	\$0.00	\$625,000	\$573,111	92%
Parks & Recreation	\$150,000	\$0.00	\$150,000	\$0	0%
Pedestrian Circulation	\$700,000	\$0.00	\$700,000	\$0	0%
Roadways & Parking	\$1,604,995	\$0.00	\$1,604,995	\$533,711	33%
Sewer Lines	\$365,000	\$0.00	\$365,000	\$363,938	100%
Storm Water	\$485,000	\$0.00	\$485,000	\$388,318	80%
Traffic & Streetscape Elements	\$550,000	\$0.00	\$550,000	\$127,017	23%
Waterlines	\$409,000	\$0.00	\$409,000	\$279,797	68%
<b>Total Hard Costs</b>	<b>\$7,968,995</b>	<b>\$0.00</b>	<b>\$7,968,995</b>	<b>\$5,204,995</b>	<b>65%</b>
Engineering Fees	\$665,000	\$0.00	\$665,000	\$665,000	100%
Performance Bonds	\$50,000	\$0.00	\$50,000	\$49,038	98%
Other Fees	\$630,000	\$0.00	\$630,000	\$608,342	97%
Contingency	\$279,390	\$0.00	\$279,390	\$111,688	40%
<b>Total Soft Costs</b>	<b>\$1,624,390</b>	<b>\$0.00</b>	<b>\$1,624,390</b>	<b>\$1,434,068</b>	<b>88%</b>
<b>Total Cost</b>	<b>\$9,593,385</b>	<b>\$0.00</b>	<b>\$9,593,385</b>	<b>\$6,639,063</b>	<b>69%</b>

B) **Status of Construction:** The main lines for the water, sewer, and storm drainage are complete. Mass grading is complete. The roads are completed except for the final layer of topcoat. The curb and gutter is completed except for parking areas.

2) Status of Financing

A) Loans Secured by Property within the District:

Wachovia Bank – Acquisition & Development Loan  
 Loan Amount: \$30,947,820  
 Amount drawn through 9/30/08: \$22,930,438  
 Amount repaid through 9/30/08: \$4,000,000  
 Balance at 9/30/08: \$18,930,438  
 Interest rate: 6.21%

B) **Event of Default on any Loan:** The developer has not received formal written notice and is not aware of any default or passage of time on any loan.

C) **Liens:** There exist no other liens for borrowed money secured by the property owned by the developer in the district.

D) **Availability of Funds to Complete the Public Improvements:** There are sufficient funds available to complete the Public Improvements as contemplated.

E) **Availability of Funds to the Developer to Complete the Private Project:** There are sufficient funds available to complete the development of the district as contemplated.

**3) Government Permits and Approvals:**

Permit/Approval	Permitting Agency	Projected Date of Approval	Approval Status
Zoning		As of 8/8/2008	Approved

**4) Development Update**

**A) Projected Absorption:**

Type	2009	2010	2011	2012	2013	Total
Residential Units	24	24	48	48	25	<b>169</b>
Retail (Square Feet)	42,000	42,000	42,000	32,095		<b>158,095</b>
Office (Square Feet)	18,000	7,000				<b>25,000</b>

**B) Residential - Status of Sales and Lease**

**i. Status of Lot Sales and Closings with Builders:**

Buyers	Lot Type	Lots Under Contract	Lots Settled	Average Sales Price
N/A	N/A	N/A	N/A	N/A
<b>Total</b>				

**ii. Status of Building Permits, Home Sales and Closings:**

Residential Type	Planned Number of Units	Building Permits Issued	Homes Sold	Homes Settled
Terraces	30			
Courtyards	36			
Porches	32			
Loft 1 BR	30			
Loft 2 BR	41			
<b>Total</b>	<b>169</b>			

C) Commercial - Status of Property Sales and Leasing

i. Property/Pad Sales and Closings:

Buyer	Area in Acres	Proposed Use	Date Closed
N/A	N/A	N/A	N/A
<b>Total</b>			

ii. Status of Leasing:

Development Type	Tenant	Square Feet	Percent of Total
<b>Office Leases (Significant Tenants):</b>	YMCA	15,432	62%
<b>Sub-total Significant Tenants</b>		<b>15,432</b>	<b>62%</b>
<b>Other Office Leases</b>			
<b>Retail Leases:</b>	N/A	N/A	N/A
<b>Sub-total Retail Leases</b>			
<b>Total</b>		<b>15,432</b>	<b>62%</b>

- 5) **Legislative, Administrative or Judicial Challenges:** There have been no legislative, administrative, or judicial challenges to the development of the Project within the district, as known to the developer.
- 6) **Existence of any correspondence or discussion that would have an adverse impact on the construction of the Project:** There have been no correspondence or discussions with any state or federal environmental entities, or any state department of transportation entities, that would have an adverse affect on the construction of the Project, including schedule and budget.
- 7) **Challenges to the Ownership of the Property:** There have been no material challenges to, or issues with respect to, the Developer's title to the real property acquired in connection with the Project.
- 8) **Material Changes to "The Developer" and "Security and Sources of Payment for the 2008 Bonds":** There have been no material changes to the information under the following headings of the Limited Offering Memorandum: "The Developer" (pages 19-21) and "Security and Sources of Payment for the 2008 Bonds." (pages 15-19)

**9) Plan of Finance for Development and the Public Improvements:**

	<b>Original Budget</b>	<b>Changes</b>	<b>Revised</b>
Land Costs (Phase V)	\$13,082,000	\$0.00	\$13,082,000
Hard Costs	\$8,618,834	\$0.00	\$8,618,834
Soft Costs	\$6,044,959	\$0.00	\$6,044,959
Contingency	\$1,179,828	\$0.00	\$1,179,828
Bank Loan Interest Reserve	\$4,014,000	\$0.00	\$4,014,000
Fees	\$189,739	\$0.00	\$189,739
Phase VII Land Cost	\$3,003,460	\$0.00	\$3,003,460
<b>Total Uses</b>	<b>\$36,132,820</b>	<b>\$0.00</b>	<b>\$36,132,820</b>
Developer's Land Equity	\$5,125,000	\$0.00	\$5,125,000
A&D Loan Proceeds	\$20,000,000	\$0.00	\$20,000,000
2008 Bonds Proceeds	\$9,593,385	(\$2,188,820)	\$7,404,565
Pad Sales	\$1,414,435	\$2,188,820	\$3,603,255
<b>Total Sources</b>	<b>\$36,132,820</b>	<b>\$0.00</b>	<b>\$36,132,820</b>

**10) Compliance with the Development, Finance and Acquisition Agreement:** The Developer has complied fully with the terms and conditions of the Development, Finance and Acquisition Agreement (the "Development Agreement") and is not aware of any Developer Default thereunder.

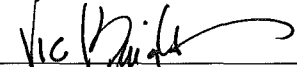
**11) Other Comments:**

None

**12) Reporting of Significant Events:** The developer has not obtained actual knowledge of the occurrence of any significant events as described in Exhibit A, attached hereto.

**REYNOLDS MOUNTAIN PARTNERS, LLC**

By: Reynolds Mountain Partners, LLC

By: 

Title: President

Date: 11/07/08

**Exhibit A**

**Significant Events**

- (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 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;
- (xi) Damage or destruction of any of the residential or commercial buildings constructed as part of the Project.