

**\$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 December 31, 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:

<b>Reynolds Construction Budget</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Work Completed</b>	<b>Percent Completed</b>
Land	\$3,225,000	\$25,000	\$3,200,000	\$3,200,000	100%
Hard Costs					
Site Development	\$120,000	\$43,900	\$163,900	\$174,080	100%
Building Construction	\$23,840,000	\$1,085,000	\$24,925,000	\$17,334,653	69.50%
Hard Cost Contingency	\$950,000	(\$438,000)	\$512,000	\$0	0.00%
Total Hard Costs	\$24,910,000	\$690,900	\$25,600,900	\$17,508,733	68.4%
Soft Costs					
Pre-Acquisition Expense	\$15,000	(\$1,644)	\$13,356	\$13,356	100%
Architecture and Consultants	\$738,000	\$107,500	\$845,500	\$793,953	93.9%
Development Overhead	\$342,000	\$0	\$342,000	\$27,450	8.0%
Marketing and Sales	\$1,510,000	(\$382,800)	\$1,127,200	\$517,402	45.9%
Financing Expense	\$1,531,500	\$220,150	\$1,751,650	\$715,896	40.86%
Legal and Accounting	\$99,500	\$175,500	\$275,000	\$244,844	89.0%
Developer's Fee	\$1,000,000	\$0	\$1,000,000	\$933,329	93.3%
Soft Cost Contingency	\$129,000	(\$84,606)	\$44,394	\$0	0.00%
Total Soft Costs	\$5,365,000	\$34,100	\$5,399,100	\$2,246,230	60.1%
Total Project Budget	\$33,500,000	\$700,000	\$34,200,000	\$23,954,963	70.0%
TAD Contingency	\$700,000	(\$700,000)	\$0	\$0	0.00%
<b>Total:</b>	<b>\$34,200,000</b>	<b>\$0</b>	<b>\$34,200,000</b>	<b>\$23,954,963</b>	<b>0.00%</b>

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.

New Date – April 21, 2006

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

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 \$13,155,010, the amount of the loan repaid was \$0.00, and the balance on the loan was \$13,155,010.

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

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.

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.

There is no Notice of Default on Development Agreement.

8. Marketing and Sales:

a. Unit Sales:

Unit Type	Number of Units Sold	Number of Units Closed	Average Sales Price	Total Units
One bedroom	4	0	245,250	24
Two Bedroom	12	0	308,542	106
Total:	16	0	292,719	130

b. Leasing Status:

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.

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.

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”).

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.

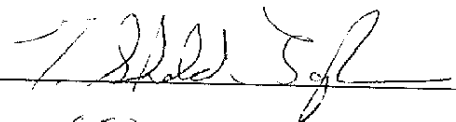
There has been no Legislative, Administrative or Judicial Challenge.

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

No Developer Significant Events have occurred.

565 DEVELOPMENT, LLC

By: 565 Development, LLC

By: Title: CEODate: 1/31/06**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.