CONTINUING DISCLOSURE REPORT
OF
ARTERY HOYLES MILL, LLC

June 30, 2006

Montgomery County, Maryland
Special Obligations Bonds

(West Germantown Development District)
(Series 2002A and Series 2002B)

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I. INTRODUCTION:

The West Germantown Development District (the “District”), located in Montgomery County, Maryland, was created by Montgomery County, Maryland (the “County”) in 1998. The District comprises approximately 671 acres of land in the West Germantown area of the County. A portion of the property within the District known as Artery Woodcliffe Park has been substantially developed by Artery Hoyles Mill, LLC (as to approximately 252 acres) and the remaining portion within the District known as Arcola Woodcliffe Park has been developed by Arcola Investment Associates (as to approximately 414 acres), with one five acre parcel currently not under development. Upon completion, the property located within the District is expected to contain 1,393 residential units, including 1,096 single family detached homes, 195 single family attached (townhouse) units and 102 multi-family garden apartment units.

In connection with the District, pursuant to certain Bond offering documents dated April 1, 2002, the County has issued an aggregate of $15,915,000.00 in Special Obligation Bonds ($11,600,000 principal amount of 2002 Series A Bonds and $4,315,000 principal amount of 2002 Series B Bonds) (the “Bonds”). The proceeds of the Bonds are being used primarily to finance the cost of acquisition of certain road, park and sewer improvements. The Bonds are payable solely from special taxes and special assessments levied by the County on taxable property within the District.

Pursuant to that certain Developer’s Continuing Disclosure Agreement, dated as of April 1, 2002, Artery has agreed to provide continuing disclosure information to the County similar to the requirements of Rule 15(c)2-12 under the Securities Exchange Act of 1934, as amended. This report is provided pursuant to the referenced agreement.

Artery has development responsibility for the portion of the project referred to as “Artery Woodcliffe Park,” and has either sold finished lots to home builders as such lots have been developed, or in the case of lots sold to Toll MD II, Limited Partnership, a single purpose entity controlled by Toll Brothers (“Toll LP”) has sold property in a bulk sales transaction and has entered into a lot finishing contract with Toll LP. Except for homes constructed on 17 lots by an affiliate, Artery is not involved in any home construction or sales activity. Consequently, certain of the information in this report on development activity was provided by individual builders and is believed to be accurate; however, the information has not been independently verified, and Artery does not certify the accuracy of such information.

II. STATUS OF COMPLETION OF THE IMPROVEMENTS:

N/A

III. STATUS OF DEVELOPMENT AND SALES:

(a) *Status of Lot Development*

Artery has entered into contracts with homebuilders for 578 of the 578 lots within the Artery Woodcliffe Park property, and has delivered all of the finished lots.

The following table sets forth the current status of development as of June 30, 2006 of properties in the District owned or formerly owned by Artery:

Property Owner	No. of Units	Type of Unit	Section	Status of Property
Toll LP	14	Single Family	Artery WP	222 Lots Sold/ 208 Lots Settled
Subtotal - Builder/Developer:	14			
Individual Homeowners Subtotal - Homeowners:	564		Artery WP	Development Complete
Total Units:	**578**			

Artery has developed all of the lots to be delivered as finished lots to builders in Artery Woodcliffe Park. As of June 30, 2005, Artery has completed the development of 223 of the 223 lots for Toll LP.

(b) *Status of Lot Sales*

All of the 578 lots have been settled on by homebuilders.

(c) *Status of Home Sales*

As of June 30, 2006, homebuilders had entered into sales contracts to sell approximately 14 homes, and had settled on approximately 564 homes located in Artery Woodcliffe Park. According to information received from the home builders by Artery, the current average sales prices for homes located in Artery Woodcliffe Park (by homebuilder) is: (i) for single family detached homes: $550,000 for Toll LP Homes.

IV. STATUS OF FINANCING:

N/A

V. STATUS OF APPROVALS:

N/A

VI. STATUS OF LEGISLATIVE, ADMINISTRATIVE AND JUDICIAL CHALLENGES:

N/A