

**CITY OF SALISBURY, MARYLAND**  
**\$9,775,000 THE VILLAGES AT AYDELLOTTE FARM PROJECT**  
**SPECIAL OBLIGATION BONDS**  
**SERIES 2007**  
**THE VILLAGES AT AYDELLOTTE FARM PROJECT**  
**(CITY OF SALISBURY, MARYLAND)**

**DEVELOPER'S CONTINUING DISCLOSURE STATEMENT**

Attn: Keenan Rice  
MuniCap, Inc.  
8340 Governor Ridgley Lane  
Ellicott City, MD 21043

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement") by and between the undersigned, East Fields Development, L.L.C (the "Developer") and MuniCap, Inc. (the "Administrator"), dated as of April 1, 2007, the Developer hereby provides the following information as of September 30, 2008. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated April 11, 2007. 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) Status of Construction and Completion of the On-Site Privately Financed Public Improvements:**

On-Site Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
<b>Phase 1:</b>					
Storm Drain	\$79,015.95	(\$3,166.40)	\$75,849.55	\$50,720.64	66.87%
Curb, Gutter, Sidewalk Placement	\$114,190.56	\$0.00	\$114,190.56	\$61,662.50	54.00%
Street Lighting	\$20,700.00	\$0.00	\$20,700.00	\$12,420.00	60.00%
Sanitary Sewer	\$338,149.19	\$0.00	\$338,149.19	\$187,159.74	55.35%
Water Infrastructure	\$314,091.45	\$0.00	\$314,091.45	\$132,044.08	42.04%
Road Infrastructure	\$116,768.85	\$0.00	\$116,768.85	\$71,661.48	61.37%
Storm Water System	\$4,025.00	\$0.00	\$4,025.00	\$4,025.00	100.00%
Sediment Control	\$10,856.00	\$3,166.40	\$14,022.40	\$14,022.40	100.00%
Admin, Engineering, Insp., Permits	\$199,559.40	\$0.00	\$199,559.40	\$150,326.85	75.33%
<b>Subtotal: Phase 1</b>	<b>\$1,197,356.40</b>	<b>\$0.00</b>	<b>\$1,197,356.40</b>	<b>\$684,043.09</b>	<b>57.13%</b>
<b>Phase 2:</b>					
Storm Drain	\$735,243.05	\$0.00	\$735,243.05	\$0.00	0.00%
Curb, Gutter, Sidewalk Placement	\$619,330.15	\$0.00	\$619,330.15	\$0.00	0.00%
Street Lighting	\$112,700.00	\$0.00	\$112,700.00	\$0.00	0.00%
Sanitary Sewer	\$982,325.96	\$0.00	\$982,325.96	\$0.00	0.00%
Water Infrastructure	\$1,234,826.16	\$0.00	\$1,234,826.16	\$0.00	0.00%
Road Infrastructure	\$797,522.74	\$0.00	\$797,522.74	\$0.00	0.00%
Storm Water System	\$16,100.00	\$0.00	\$16,100.00	\$0.00	0.00%
Sediment Control	\$47,835.40	\$0.00	\$47,835.40	\$0.00	0.00%
Admin., Engineering, Insp., Permits	\$909,176.69	\$0.00	\$909,176.69	\$406,460.42	44.70%
<b>Subtotal: Phase 2</b>	<b>\$5,455,060.15</b>	<b>\$0.00</b>	<b>\$5,455,060.15</b>	<b>\$406,460.42</b>	<b>7.45%</b>
<b>Total Public Improvements</b>	<b>\$6,652,416.55</b>	<b>\$0.00</b>	<b>\$6,652,416.55</b>	<b>\$1,090,503.51</b>	<b>16.39%</b>

2) Status of Financing

A. Loans Secured by Property within the District:

Talbot Bank Land Acquisition Loan:

- Loan Amount: \$3,900,000.00
- Amount drawn through 09/30/08: \$3,900,000.00
- Amount repaid through 09/30/08: \$115,312.50
- Balance at 09/30/08: \$3,784,687.50
- Interest rate: 6%

Talbot Bank Construction Revolving Credit Loan:

- Loan Amount: \$2,600,000.00
- Amount drawn through 09/30/08: \$2,600,000.00
- Amount repaid through 09/30/08: \$0.00
- Balance at 09/30/08: \$2,600,000.00
- Interest rate: 6%

Development Loan:

- Lender: The Talbot Bank
- Loan Amount: \$5,500,000.00
- Amount drawn through 09/30/08: \$1,661,372.76
- Amount repaid through 09/30/08: \$0.00
- Balance at 09/30/08: \$1,661,372.76
- Interest rate: 5%

**B. Material changes to the Plan of Finance:** There have been no material changes to the Plan of Finance as described in the Limited Offering Memorandum.

**C. Event of Default on any Loan:** The developer has not received formal written notice and is not aware of any default on any loan.

**D. Liens:** There exist no other liens for borrowed money secured by the property owned by the Company in the district.

3) The development is anticipated to be completed by 2014

4) **Material Changes in the Residential Development Composition and Absorption Phasing:** There have been no material changes in residential development composition and absorption as described in the Limited Offering Memorandum under the heading "THE PROPOSED DEVELOPMENT OF THE VILLAGES AT AYDELOTTE FARM;"

**Residential Development Composition**

Residential Lots	Number of Lots/Units	Lot Width	Percent of Total Residential Lots/Units	Base Price
Single-Family Detached	76	70 feet	11%	\$260,000's
Astoria (Large Townhouse)	151	26 feet	22%	\$220,000's
Fairmount/ Aurora (Small Townhouse)	182	20 feet	27%	\$220,000's
Melrose (Large Villas)	58	32 feet	9%	\$220,000's
Griffin (Small Villas)	62	28 feet	9%	\$220,000's
Windsor Court (Large Condominiums)	72	N/A	11%	\$200,000's
Hampton Court (Small Condominiums)	72	N/A	11%	\$200,000's
<b>Total</b>	<b>673</b>		<b>100%</b>	

**5) Government Permits and Approvals**

Phase	Permit/Approval	Approved	Permit Status
I	Construction Plans	Yes	Approved by City
I	Subdivision Plat	Yes	Approved by City
I	MDE Sewage Construction Permit	Yes	Approved by MDE
II	Construction Plans	Yes	Approved
II	Subdivision Plat	Yes	Approved
II	Erosion and Sediment Control Plans	Yes	Approved
II	MDNR Forest Conservation Plan	Yes	Approved
II	MDE Sewage Construction Permit	Yes	Approved
N/A	NPDES Notice of Intent	Yes	Approved by State
N/A	FEMA – Letter of Map Revision (LOMR)	Yes	Approved by FEMA
N/A	Joint Federal/State Application for the alteration of any Flood Plain, Waterway, Tidal or Non-tidal Wetlands	Yes	Approved jointly by Federal/State
N/A	Final Development Plan	Yes	Approved by City Dept. of Planning and Zoning

**6) Status of Development:**

**A) Status of road improvements:**

Phase 1 – 60% of the roadway completed to base paving.  
Phase 2 – Construction has not begun.

**B) Status of water infrastructure:**

Phase 1 – 65% of water infrastructure construction completed, tested and energized.

Phase 2 – Construction has not begun.

**C) Status of sanitary sewer infrastructure:**

Phase 1 – 88% of sanitary sewer infrastructure construction completed, tested and energized.

Phase 2 – Construction has not begun.

**D) Status of storm water management systems:**

Phase 1 – 50% of storm drain piping and inlets completed. Existing SWM pond being utilized per plans.

Phase 2 – Construction has not begun.

**E) Status of other infrastructure and private utility development:**

Phase 1 – Installed: 60% electric, 50% telephone, 60% gas, 60% CATV

Phase 2 – Construction has not begun.

**7) Status of Lot and Land Sales and Closings:**

**A) Status of Lot Sales and Closings with builders:**

<b>Residential Type</b>	<b>Planned Number of Units</b>	<b>Builder</b>	<b>Lots Sold</b>	<b>Lots Closed</b>
Single-Family Detached	76	Ryan Homes		
Astoria (Large Townhouse)	151	Ryan Homes	14	8
Fairmount/ Aurora (Small Townhouse)	182	Ryan Homes		
Melrose (Large Villas)	58	Ryan Homes		
Griffin (Small Villas)	62	Ryan Homes		
Windsor Court (Large Condominiums)	72	Ryan Homes		
Hampton Court (Small Condominiums)	72	Ryan Homes		
<b>Total</b>	<b>673</b>		<b>14</b>	<b>8</b>


**B) Status of Building Permits, Home Sales and Closings:**

Residential Type	Planned Number of Units	Building Permits Issued	Building Permit Applications Submitted	Homes Sold	Homes Closed	Average Selling Price
Single-Family Detached	76					
Astoria (Large Townhouse)	151	14	14	16	8	\$220,000
Fairmount/ Aurora (Small Townhouse)	182					
Melrose (Large Villas)	58					
Griffin (Small Villas)	62					
Windsor Court (Large Condominiums)	72					
Hampton Court (Small Condominiums)	72					
<b>Total</b>	<b>673</b>	<b>14</b>	<b>14</b>	<b>16</b>	<b>8</b>	<b>\$220,000</b>

- 8) **Material Changes to the Form of Ownership of the Developer:** There have been no material changes in the form, organization or ownership of the developer of the district as described on the Limited Offering Memorandum.
- 9) **Legislative, Administrative or Judicial Challenges:** There have been no legislative, administrative, or judicial challenges to the construction of the improvements within the district or the validity of the duly recorded plat or other public approvals for any section of the development within the district.
- 10) **Material amendments or Supplement to the Funding Agreement:** There have been no material amendments or supplements to the Funding Agreement described in the Limited Offering Memorandum.
- 11) **Default to any public works agreement:** There have been no defaults on the part of the developer with respect to any public works agreement.
- 12) **Other Comments:**
- None
- 13) **Reporting of Significant Events:** The developer has not obtained actual knowledge of the occurrence of any significant events attached hereto.

**EAST FIELDS DEVELOPMENT, L.L.C.**

By: East Fields Development, L.L.C.

By: 

Title: Managing Partner

Date: 12-11-08

### Significant Events

- i. failure to pay any real property taxes (including the special assessments) levied within the district on a parcel owned by the development or any affiliate of the developer;
- ii. material damage to or destruction of any development or improvements within the district owned or being developed by the developer or any affiliate of the developer;
- iii. material default by the developer or any affiliate of the developer, on any loan with respect to the construction or permanent financing of the development;
- iv. material default by the developer, or any affiliate of the developer, on any loan secured by property within the district owned by the developer or any affiliate of the developer;
- v. the filing of the developer or any affiliate of the developer, or by any owner of more than 25% interest in the developer in bankruptcy or any determination that the developer or an owner of interest in the developer or a subsidiary of the developer or any affiliate of the developer is unable to pay its debts as they become due; and
- vi. the filing of any lawsuit against the developer or any affiliate of the developer with claim for damages in excess of \$1,000,000 or which may adversely affect the completion of the development or the project, or litigation in Excess of \$1,000,000 which would materially adversely affect the financial condition of the developer or any affiliate of the developer.