

\$19,847,000
TOWN OF BRIDGEVILLE,
DELEWARE
SPECIAL OBLIGATION BONDS
(HERITAGE SHORES SPECIAL
DEVELOPMENT DISTRICT)
SERIES 2005A

and

\$8,600,000
TOWN OF BRIDGEVILLE,
DELEWARE
SPECIAL OBLIGATION BONDS
(HERITAGE SHORES SPECIAL
DEVELOPMENT DISTRICT)
SERIES 2005A

HERITAGE SHORES DISTRICT
(SUSSEX COUNTY, DELAWARE)

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 Agreement" (the "Disclosure Agreement") by and between the undersigned, Passwaters Farm, LLC (the "Developer") and MuniCap, Inc. (the "Administrator"), dated as of June 1, 2005, the Developer hereby provides the following information as of September 30, 2007. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated July 1, 2005. To the best of the knowledge of the undersigned:

- 1) Status of Construction and Completion of the Heritage Shores District Funded with the Series 2005 A & B Bonds:

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
Entrance Road					
Improvements Route 13 and 546	\$430,000	\$1,167,954	\$1,597,954	\$1,597,954	100%
On-Site Main Road Sewer & Water Along	\$3,330,000	(\$304,572)	\$3,025,428	\$3,025,428	100%
On-Site Main Road (Infrastructure)	\$1,570,000	\$267,274	\$1,837,274	\$1,837,274	100%
Storm Drain Along On-Site Main Road	\$450,000	\$148,976	\$598,976	\$598,976	100%
Off-Site Water & Sewer On-Site Subdivision	\$5,000,000	\$1,975,922	\$6,975,922	\$6,975,922	100%
Roads, side walks, curbs, gutters and related engineering	\$3,020,000	(\$385,011)	\$2,634,989	\$2,634,989	100%

engineering

Water and Sewer along On-Site Subdivision Roads	\$3,620,000	(\$949,173)	\$2,670,827	\$2,670,827	100%
Storm Drain Along Subdivision Roads	\$700,000	\$104,633	\$804,633	\$804,633	100%
Sidewalks and Driveway Aprons Along Subdivision Roads	\$580,000	\$74,137	\$654,137	\$654,137	100%
Storm Water Management Ponds and Connective Pipes	\$2,100,000	(\$2,100,000)	\$0	0	0%
Total:	\$20,800,000	\$140	\$20,800,140	\$20,800,140	100%

*Please note that expenditures on the public improvements in excess of the original budget for Series 2005A & B Bonds will be funded with interest earned on the Series 2005A & B Developer's Facilities Fund and future bonds.

2) The improvements are anticipated to be complete by 2015.

3) Status of Development:

Sales and Closings with Homebuyers: Marketing Name	Product Type	Number of Units	Building Permits Issued	Homes Sold	Homes Closed	Average Sales Price	Homes Completed but not Sold
Carriage / Lennar	Triplex	180	33	34	34	\$229,330	0
Carriage / Brookfield	Triplex	180	15	13	8	\$243,071	5
Villas / Lennar	Duplex	262	41	12	12	\$228,750	0
Villas / Brookfield	Duplex	262	26	27	21	\$295,441	1
Garden / Lennar	SFD	178	53	39	39	\$371,750	0
Garden / Brookfield	SFD	178	23	22	20	\$337,400	0
Executive / Lennar	SFD	288	72	71	64	\$327,206	0
Executive / Brookfield	SFD	288	25	27	24	\$375,342	1
Total:		1,816	288	245	222	\$301,036	7

4) Sales and Closings with Builders:

Builder	Unit Type	Lots Sold to Builders	Undeveloped Properties
Brookfield Homes:	Cottage/Duplex	24	156
	Terrace/Triplex	18	244
	Garden	29	149
	Executive	39	249
	Sub-total	110	798
Lennar Homes:			
	Villa	16	164
	Carriage	30	232
	Garden	48	130
	Executive	64	224
	Sub-total	158	750
Total		268	1,548

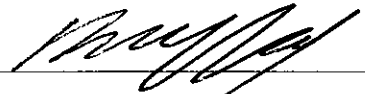
5) **Material Changes to Development:** There have been no material changes in the plan to develop the District as described in the Limited Offering Memorandum under the heading "THE DEVELOPMENT."

Product Type	Average Annual Absorption Potential	Number of Units	Years of Supply	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Villas	60	360	6	12	45	60	60	60	60	60	3	0	0	0
Carriage	60	524	8.7	12	45	60	60	60	60	60	60	60	47	0
Garden (Lennar)	42	178	4.2	21	31	42	42	42	0	0	0	0	0	0
Garden (Brookfield)	42	178	4.2	21	32	42	42	41	0	0	0	0	0	0
Executive (Lennar)	30	288	10.0	15	23	30	30	30	30	30	30	30	30	10
Executive (Brookfield)	30	288	10.0	15	22	30	30	30	30	30	30	30	30	11
Total				96	198	264	264	263	180	180	123	120	107	21
Cumulative		1,816	10.0	96	294	558	822	1,085	1,265	1,445	1,568	1,688	1,795	1,816

- 6) **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 page 32 of the Limited Offering Memorandum.
- 7) **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.
- 8) **Material Amendment to the Development Agreement:** There have been no material amendments to the Development Agreement.
- 9) **Notice of Default:** The developer has not received formal written notice and is not aware of any default under the Public Works Agreement or the Acquisition Agreement.
- 10) **Significant Events:** The developer has not obtained actual knowledge of the occurrence of any Significant Events, as described below.
 - i. failure to pay any real property taxes (including 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. material default by the developer, or any affiliate thereof, on any loan with respect to the construction or permanent financing of the district development;
 - iv. 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;
 - v. the filing of the developer, or any affiliate thereof, or any owners of more than 25% interest in the developer in bankruptcy 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
 - vi. the filing of any lawsuit against the developer with claim for damages in excess of \$1,000,000 or which may materially adversely affect the completion of the district development, or litigation in excess of \$1,000,000 or which would materially adversely affect the financial condition of the developer.

PASSWATER FARM, LLC

By: Passwater Farm, LLC

By: 

Title: Division President

Date: 10/18/07