

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

and

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

HERITAGE SHORES DISTRICT
(SUSSEX COUNTY, DELAWARE)

DEVELOPER'S CONTINUING DISCLOSURE STATEMENT

Attn: Keenan Rice

MuniCap, Inc.

6760 Alexander Bell Drive, Ste 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 March 31, 2009. 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:

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 March 31, 2009, 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 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	\$5,000,000	\$1,975,922	\$6,975,922	\$6,975,922	100%
On-Site Subdivision Roads, side walks, curbs, gutters and related engineering	\$3,020,000	(\$385,011)	\$2,634,989	\$2,634,989	100%
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.

As of May 11, 2009, the developer reports that the project is ongoing and we are constantly looking to turn the improvements over to the appropriate authorities/jurisdictions for the ongoing operation and maintenance of said improvements. To date, we have turned over the sanitary pump station, the water tower and a significant portion of the completed roads (with utilities) to the Town.

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

3) Sales and Closings with Builders

Builder	Unit Type	Lots Sold to Builders	Undeveloped Properties
Brookfield Homes:			
	Villa/Duplex	26	152
	Carriage/Triplex	18	232
	Village	0	14
	Garden	29	149
	Executive	41	247
Sub-total		114	794
Third Party Builders: (actual only) Undeveloped (TBD)			
	Villa	16	162
	Carriage	30	223
	Village	0	11
	Garden	48	130
	Executive	65	223
Sub-total		159	749
Total		273	1,543

Note: 25 platted lots in Phase 2 of the development have been reclassified as single family detached units from attached units.

4) 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	30	34	30	30	\$229,330	0
Carriage / Brookfield	Triplex	168	18	14	14	\$278,903	4
Carriage/3rd Party	Triplex	141	0	0	0		0
Villas / Lennar*	Duplex	16	41	16	16	\$228,750	0

Villas / Brookfield	Duplex	260	28	25	25	\$293,279	2
Villas/3 rd Party	Duplex	244	0	0	0		0
Village/Brookfield	SFD	14	0	0	0		0
Village/3 rd Party	SFD	11	0	0	0		0
Garden / Lennar*	SFD	48	54	48	48	\$361,553	0
Garden / Brookfield	SFD	178	24	24	21	\$356,186	2
Garden/3 rd Party	SFD	130	0	0	0		0
Executive / Lennar*	SFD	65	74	65	65	\$382,039	0
Executive / Brookfield	SFD	288	36	37	34	\$416,424	0
Executive/3 rd Party	SFD	223	0	0	0		0
Total		1,816	309	259	253	\$337,496	8

*As noted under #7 that follows, Lennar will not be building homes in the community on a going – forward basis. However, the Developer has recently contracted a small number of lots with another national builder. The contract is still in its feasibility period. Absorptions are projected to change as a result as well as market conditions.

5) Material Changes to Development – Absorption Schedule

Product Type	Average Annual Absorption Potential	Number of Units	Years of Supply	Year 1 2005 Actual	Year 2 2006 Actual	Year 3 2007 Actual	Year 4 2008 Actual	Year 5 2009 Projected	Year 6 2010 Projected	Year 7 2011 Projected
Villas	28	360	13	4	32	4	2	4	8	20
Carriage	35	524	15	9	36	3	-	6	5	7
Village (TBD)									5	6
Village (Brookfield)									7	7
Garden (TBD)	18	178	10	34	9	5	-	12	24	24
Garden (Brookfield)	16	178	11	17	12	-	-	10	12	15
Executive (TBD)	21	288	14	22	33	9	1	-	-	16
Executive (Brookfield)	22	288	13	27	12	-	-	2	13	30
Total		1,816		113	134	21	3	34	74	125
Cumulative				113	247	268	271	305	379	504

	Year 8 2012 Projected	Year 9 2013 Projected	Year 10 2014 Projected	Year 11 2015 Projected	Year 12 2016 Projected	Year 13 2017 Projected	Year 14 2018 Projected
Villas	36	36	48	60	64	36	-
Carriage	48	48	48	60	60	50	123
Garden (TBD)	30	30	10	-	-	-	-
Garden (Brookfield)	30	31	30	21	-	-	-
Executive (TBD)	31	31	32	31	31	20	31
Executive (Brookfield)	30	30	30	30	46	40	-
Total	205	206	198	202	201	146	154
Cumulative	709	915	1,113	1,315	1,516	1,662	1,816

* Note: 25 platted lots in Phase 2 of the development have been reclassified as single family detached units from attached units.

- 6) **Liens:** On March 27, 2009, the developer received full funding from a newly executed note with Heritage Rocks Holdings, LLC in the amount of \$1.4 million. The note is a second mortgage lien yielding 1.5% interest annually behind the existing first mortgage maker to M&T Bank. The second mortgage lien matures on March 27, 2011.
- 7) **Material changes to the Form of Ownership of the Developer:** Brookfield Homes Corporation (“Brookfield”) acquired Lennar Corporation’s interest in Passwaters Farm LLC (the “Developer”). The Developer was initially owned equally by Brookfield Washington, LLC (a 90% owned subsidiary of Brookfield Homes Holdings, Inc., a wholly-owned subsidiary of Brookfield) and U.S. Home Corporation (a wholly-owned subsidiary of Lennar Corporation) (“Lennar”). Lennar had been acting as the managing member of the Developer. Lennar sold all of its interest in the Developer to Bridgeville AA, LLC, a wholly owned subsidiary of Brookfield Washington, LLC (the “Brookfield Subsidiary”). After giving effect to such acquisition, the Brookfield Subsidiary and Brookfield each own 50% ownership interest in the Developer. Information on Brookfield is available on page 33 of the Limited Offering Memorandum.
- 8) **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.
- 9) **Material Amendment to the Development Agreement:** There have been no material amendments to the Development Agreement.
- 10) **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.
- 11) **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.

PASSWATERS FARM, LLC

By: Passwaters Farm, LLC

By: 

Title: President of
MANAGING MEMBER

Date: 5/11/09