

**\$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.  
8340 Governor Ridgley Lane  
Ellicott City, MD 21043

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 June 30th 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:

<b>Public Improvement</b>	<b>Original Budget</b>	<b>Budget Changes</b>	<b>Revised Budget</b>	<b>Spent to Date</b>	<b>Percent Complete</b>
Entrance Road					
Improvements Route 13 and 546	\$430,000	1,300,000	1,730,000	1,579,382	91%
On-Site Main Road	\$3,330,000	2,327,000	5,657,000	3,025,428	53%
Sewer & Water Along On-Site Main Road (Infrastructure)	\$1,570,000	958,000	2,528,000	1,789,361	71%
Storm Drain Along On-Site Main Road	\$450,000	800,000	1,250,000	598,976	48%
Off-Site Water & Sewer On-Site Subdivision	\$5,000,000	2,480,000	7,480,000	6,010,861	80%
Roads, side walks, curbs, gutters and related engineering	\$3,020,000	6,472,000	9,492,000	2,412,994	25%

Water and Sewer along On-Site Subdivision Roads	\$3,620,000	8,843,000	12,463,000	2,670,087	21%
Storm Drain Along Subdivision Roads	\$700,000	1,700,000	2,400,000	803,583	33%
Sidewalks and Driveway Aprons Along Subdivision Roads	\$580,000	1,420,000	2,000,000	585,468	29%
Storm Water Management Ponds and Connective Pipes	\$2,100,000	-2,100,000	0	555,670	0%
<b>Total:</b>	<b>\$20,800,000</b>	<b>24,200,000</b>	<b>45,000,000</b>	<b>20,031,810</b>	<b>45%</b>

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	11	8	\$244,505	2
Villas / Lennar	Duplex	262	37	12	12	\$228,750	0
Villas / Brookfield	Duplex	262	24	24	19	\$235,326	2
Garden / Lennar	SFD	178	52	39	39	\$371,750	0
Garden / Brookfield	SFD	178	21	21	20	\$345,812	0
Executive / Lennar	SFD	288	71	66	52	\$331,875	1
Executive / Brookfield	SFD	288	25	25	22	\$411,598	3
<b>Total:</b>		<b>1,816</b>	<b>278</b>	<b>232</b>	<b>206</b>	<b>\$299,868</b>	<b>8</b>

- 4) Sales and Closings with Builders [Utilizing the table below, please provide the number of homes sold and closed by each of the builders for each property type within the district.]

<b>Builder</b>	<b>Unit Type</b>	<b>Lots Sold to Builders</b>	<b>Undeveloped Properties</b>
<b>Brookfield Homes:</b>	Cottage/Duplex	22	158
	Terrace/Triplex	15	247
	Garden	29	149
	Executive	39	249
<i>Sub-total</i>		<i>105</i>	<i>803</i>
<b>Lennar Homes:</b>			
	Villa	16	164
	Carriage	30	232
	Garden	47	131
	Executive	64	224
<i>Sub-total</i>		<i>157</i>	<i>751</i>
<b>Total:</b>		<b>262</b>	<b>1554</b>

2) 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;" [Please either confirm the statement above or provide an update on the development plan schedule provided below.]

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
<b>Total</b>				96	198	264	264	263	180	180	123	120	107	21
<b>Cumulative</b>		1,816	10.0	96	294	558	822	1,085	1,265	1,445	1,568	1,688	1,795	1,816

- 4) 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. [Please either confirm or describe below any material changes in the form, organization or ownership of the developer of the district.]

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- 5) 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. [Please either confirm the statement above or describe any legislative, administrative or judicial challenges that have taken place in the space provided below.]

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- 6) Material Amendment to the Development Agreement: There have been no material amendments to the Development Agreement. [Please either confirm the statement above or describe in the space provided below any material amendments or changes to the Development Agreement.]

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- 7) 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. [Please verify the statement above or describe any event of default under the Public Works Agreement or the Acquisition Agreement in the space provided below.]

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8) The developer has not obtained actual knowledge of the occurrence of any Significant Events, as described below. [Please either confirm the statement above or describe the occurrence of any Significant Event in the space provided below.]

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;

material damage to or destruction of any development or improvements within the District;

material default by the developer, or any affiliate thereof, on any loan with respect to the construction or permanent financing of the District development;

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;

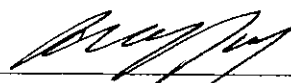
the filing of the developer, or any affiliate thereof, or any owners of more than 25% interest in the developer in bankruptcy or any determination that the developer, or owner of interest in the developer, or a subsidiary of the developer, or any affiliate thereof, is unable to pay its debts as they become due; and

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.

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PASSWATER FARM, LLC

By: Passwater Farm, LLC

By: 

Title: GENERAL MANAGER

Date: 9/20/07