

**\$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.**  
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 September 30, 2008. 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 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 Heritage Shores District Funded with the Series 2005 A & B Bonds:**

<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	\$1,167,954	\$1,597,954	\$1,597,954	100%
On-Site Main Road	\$3,330,000	(\$304,572)	\$3,025,428	\$3,025,428	100%
Sewer & Water Along 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%
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%
<b>Total:</b>	<b>\$20,800,000</b>	<b>\$140</b>	<b>\$20,800,140</b>	<b>\$20,800,140</b>	<b>100%</b>

\*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:

<b>Sales and Closings with Homebuyers: Marketing Name</b>	<b>Product Type</b>	<b>Number of Units</b>	<b>Building Permits Issued</b>	<b>Homes Sold</b>	<b>Homes Closed</b>	<b>Average Sales Price</b>	<b>Homes Completed but not Sold</b>
Carriage / Lennar	Triplex	180	34	30	30	\$229,330	0
Carriage / Brookfield	Triplex	180	18	14	14	\$278,903	4
Villas / Lennar*	Duplex	262	41	16	16	\$228,750	0

Villas / Brookfield	Duplex	262	28	26	23	\$294,726	0
Garden / Lennar*	SFD	178	54	48	48	\$361,553	0
Garden / Brookfield	SFD	178	26	26	24	\$356,186	2
Executive / Lennar*	SFD	288	74	65	65	\$382,039	0
Executive / Brookfield	SFD	288	32	29	29	\$416,424	0
<b>Total:</b>		<b>1,816</b>	<b>307</b>	<b>254</b>	<b>249</b>	<b>\$337,478</b>	<b>6</b>

4) Sales and Closings with Builders:

<b>Builder</b>	<b>Unit Type</b>	<b>Lots Sold to Builders</b>	<b>Undeveloped Properties</b>
<b>Brookfield Homes:</b>			
	Cottage/Duplex	24	156
	Terrace/Triplex	18	244
	Garden	29	149
	Executive	39	249
<b>Sub-total</b>		<b>110</b>	<b>798</b>
<b>Lennar Homes: (actual only) Undeveloped (TBD)</b>			
	Villa	16	164
	Carriage	30	232
	Garden	48	130
	Executive	65	223
<b>Sub-total</b>		<b>159</b>	<b>749</b>
<b>Total</b>		<b>269</b>	<b>1,547</b>

- 5) **Material Changes to Development:** As noted under #6 that follows, Lennar will not be building homes in the community on a going – forward basis. Absorptions are projected to change as a result as well as market conditions.

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 Projected	Year 5 2009 Projected	Year 6 2010 Projected	Year 7 2011 Projected
Villas	30	360	13	4	32	4	2	8	22	24
Carriage	37	524	14	9	36	3	-	30	33	36
Garden (TBD)	18	178	10	34	9	5	-	15	15	15
Garden (Brookfield)	16	178	11	17	12	-	-	10	12	15
Executive (TBD)	22	288	14	22	33	9	1	-	15	15
Executive (Brookfield)	22	288	13	27	12	-	-	10	13	30
<b>Total</b>		<b>1,816</b>		<b>113</b>	<b>134</b>	<b>21</b>	<b>3</b>	<b>73</b>	<b>110</b>	<b>135</b>
<b>Cumulative</b>				<b>113</b>	<b>247</b>	<b>268</b>	<b>271</b>	<b>344</b>	<b>454</b>	<b>589</b>

Product Type	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	66	18	-
Carriage	48	48	48	60	60	59	54
Garden (TBD)	30	30	25	-	-	-	-
Garden (Brookfield)	30	31	30	21	-	-	-
Executive (TBD)	31	31	32	31	31	22	15
Executive (Brookfield)	30	30	30	33	46	27	-
<b>Total</b>	<b>205</b>	<b>206</b>	<b>213</b>	<b>205</b>	<b>203</b>	<b>126</b>	<b>69</b>
<b>Cumulative</b>	<b>794</b>	<b>1,000</b>	<b>1,213</b>	<b>1,418</b>	<b>1,621</b>	<b>1,747</b>	<b>1,816</b>

- 6) **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.
- 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.

PASSWATERS FARM, LLC

By: Passwaters Farm, LLC

By: 

Title: VP & managing member

Date: 11/14/08