

\$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 March 31, 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 March 31, 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:

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 On-Site Main Road (Infrastructure)	\$3,330,000	(\$304,572)	\$3,025,428	\$3,025,428	100%
Storm Drain Along On-Site Main Road	\$1,570,000	\$267,274	\$1,837,274	\$1,837,274	100%
Off-Site Water & Sewer On-Site Subdivision	\$450,000	\$148,976	\$598,976	\$598,976	100%
Roads, side walks, curbs, gutters and related engineering	\$5,000,000	\$1,975,922	\$6,975,922	\$6,975,922	100%
Water and Sewer along On-Site Subdivision Roads	\$3,020,000	(\$385,011)	\$2,634,989	\$2,634,989	100%
Storm Drain Along Subdivision Roads	\$3,620,000	(\$949,173)	\$2,670,827	\$2,670,827	100%
Sidewalks and Driveway Aprons Along Subdivision Roads	\$700,000	\$104,633	\$804,633	\$804,633	100%
Storm Water Management Ponds and Connective Pipes	\$580,000	\$74,137	\$654,137	\$654,137	100%
	\$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	34	30	30	\$229,330	0
Carriage / Brookfield	Triplex	180	18	13	12	\$276,900	3
Villas /	Duplex	262	41	16	16	\$228,750	0

Lennar*							
Villas / Brookfield	Duplex	262	26	24	22	\$294,434	2
Garden / Lennar*	SFD	178	54	48	46	\$361,990	0
Garden / Brookfield	SFD	178	24	22	21	\$352,650	0
Executive / Lennar*	SFD	288	74	65	63	\$381,790	0
Executive / Brookfield	SFD	288	30	28	27	\$415,571	0
Total:		1,816	301	247	237	\$337,387	5

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: (actual only) Undeveloped (TBD)			
	Villa	16	168
	Carriage	30	228
	Garden	48	139
	Executive	65	214
	Sub-total	159	749
Total		269	1,547

- 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	12	4	32	4	10	20	22	24
Carriage	37	524	14	9	36	3	15	30	33	36
Garden (TBD)	18	178	10	34	9	5	3	15	15	15
Garden (Brookfield)	16	178	11	17	12	-	3	10	12	15
Executive (TBD)	22	288	13	22	33	9	3	15	15	15
Executive (Brookfield)	22	288	13	27	12	-	3	10	13	30
Total		1,816		113	134	21	37	100	110	135
Cumulative				113	247	268	305	405	515	650

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	64	-	-
Carriage	48	48	48	60	60	50	48
Garden (TBD)	30	30	22	-	-	-	-
Garden (Brookfield)	30	31	30	18	-	-	-
Executive (TBD)	31	31	32	31	31	20	-
Executive (Brookfield)	30	30	30	30	46	27	-
Total	205	206	210	199	201	97	48
Cumulative	855	1,061	1,271	1,470	1,671	1,768	1,816

6) Material changes to the Form of Ownership of the Developer:

Please see change noted in the December 31, 2007 Disclosure Statement.

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: K. Maden

Title: VP of manager

Date: 5/2/08