

**\$17,849,000**  
**TOWN OF MILSBORO, DELAWARE**  
**SPECIAL OBLIGATION BONDS**  
**SERIES 2007A**

**PLANTATION LAKES SPECIAL DEVELOPMENT DISTRICT**  
**(TOWN OF MILLSBORO, 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, Lencraft, L.L.C (the "Developer") and MuniCap, Inc. (the "Administrator"), dated as of June 1, 2007, the Developer hereby provides the following information as of June 30, 2007. All terms having initial capitalization and not defined herein shall have the meanings set forth in the Limited Offering Memorandum dated May 31, 2007. To the best of the knowledge of the undersigned:

**1) Status of Completion of the Development and Improvements:**

The table in the following page provides an update to the budget funded with the Series 2007A bond proceeds development and improvement.

Public Improvement	Original Budget	Budget Changes	Revised Budget	Spent to Date	Percent Complete
<b>Developer's Facilities:</b>					
Water supply	\$5,511,200.00	\$0.00	\$5,511,200.00	\$1,315,333.04	23%
Wastewater	\$6,692,280.00	\$0.00	\$6,692,280.00	\$5,099,135.22	76%
Transportation	\$4,806,203.00	\$0.00	\$4,806,203.00	\$2,174,596.18	45%
Others	\$402,883.00	\$0.00	\$402,883.00	\$0	0%
Grading/Excavations/Stabilization	\$633,800.00	\$0.00	\$633,800.00	\$316,900.00	50%
<b>Subtotal: Developer's Facilities</b>	<b>\$18,046,366.00</b>	<b>\$0.00</b>	<b>\$18,046,366.00</b>	<b>\$8,905,964.44</b>	<b>49%</b>
Less: Private Funds	\$6,220,844.95	\$0.00	\$6,220,844.95	\$0	0%
<b>Developer's Facilities financed by the Series 2007A bonds</b>	<b>\$11,825,521.05</b>	<b>\$0.00</b>	<b>\$11,825,521.05</b>	<b>\$8,905,964.44</b>	<b>75%</b>
<b>Town's Facilities:</b>					
Improvements to park area on dukes parcel: decorative lighting, electric outlets, walking path, park benches and small playground	\$100,000.00	\$0.00	\$100,000.00	\$0	0%
Emergency service building	\$1,441,000.00	\$0.00	\$1,441,000.00	\$0	0%
Street sweeper	\$58,694.35	\$0.00	\$58,694.35	\$58,694.35	100%
Restrooms for Cupola Park	\$39,000.00	\$0.00	\$39,000.00	\$0	0%
Police cars (2)	\$60,000.00	\$0.00	\$60,000.00	\$0	0%
Computer software for water meters	\$23,000.00	\$0.00	\$23,000.00	\$0	0%
Office Equipment	\$20,000.00	\$0.00	\$20,000.00	\$0	0%
Infrastructure Improvements	\$58,305.65	\$0.00	\$58,305.65	\$0	0%
<b>Subtotal: Town's Facilities</b>	<b>\$1,800,000.00</b>	<b>\$0.00</b>	<b>\$1,800,000.00</b>	<b>\$58,694.35</b>	<b>3%</b>
<b>Total Public Improvements financed by the Series 2007A Bonds</b>	<b>\$13,625,521.05</b>	<b>\$0.00</b>	<b>\$13,625,521.05</b>	<b>\$8,964,658.79</b>	<b>66%</b>

## 2) Status of Financing

### A. Loans Secured by Property within the District:

#### Wachovia Bank Development loan:

- Loan Amount: \$30,000,000.00
- Amount drawn through 06/30/07: \$32,306,450.00
- Amount repaid through 06/30/07: \$5,937,505.00
- Balance at 06/30/07: \$26,368,945.00
- Interest rate: L+2.3%

#### Wachovia Bank Dukes Property Loan:

- Loan Amount: \$4,365,000.00
- Amount drawn through 06/30/07: \$4,365,000.00
- Amount repaid through 06/30/07: \$573,750.00
- Balance at 06/30/07: \$3,791,250.00
- Interest rate: L+2.3%

**B. Material changes to the Plan of Finance:** There have been no material changes to the Developer’s Plan of Finance as described in the Limited Offering Memorandum.

True

**C. Event of Default on any Loan:** The developer has not received formal written notice and is not aware of any default on any loan.

True

**D. Liens:** There exist no other liens for borrowed money secured by the property owned by the Company in the district.

True

3) The development is anticipated to be completed by 2022

**4) Material Changes in the Residential Development Composition and Absorption Phasing:**

There have been no material changes in residential unit type mix and projected absorption/sales as described in the Limited Offering Memorandum under the heading “THE DEVELOPMENT” AND “THE FACILITIES”.

**Proposed Mix of Residential Unit Types to be Constructed**

Product Type	Number of Units	Base Size Range (Square Feet)	Percent of Total Residential Units	Base Price Range
Rec-Condo (small unit)	480	1,000 - 1,400	17%	\$175,000 - \$200,000
Rec- Condo (large Unit)	480	1,300 - 1,900	17%	\$210,000 - \$260,000
TH/SFA 20’	559	1,500 - 1,900	20%	\$235,000 - \$270,000
SFA/Villa 30’	40	1,650 - 2,200	1%	\$255,000 - \$300,000
SFD 60’	641	1,800 - 2,400	23%	\$280,000 - \$350,000
SFD 70’ – 75’	412	2,200 - 2,750	15%	\$350,000 - \$410,000
SFD 80’	205	2,600 - 3,500	7%	\$410,000 - \$490,000
Total	<b>2,817</b>		<b>100%</b>	

5) Government Permits and Approvals:

Phase	Permit/Approval	Approved	Projected Date of Permit	Permit Status
I	Construction Improvement Plan	Yes	November 30, 2005	Approved by Town
I	Sediment and Erosion Control Permit	Yes	November 09, 2005	Approved by Sussex Conservation District
I	Stormwater Management Plan	Yes	November 11, 2005	Approved by Sussex Conservation District
I	Phased Residential Planned Community (RPC) Final Plan	Yes	March 07, 2005	Approved by Town
II	Construction Improvement Plan	No	TBD	N/A
II	Sediment and Erosion Control Permit	No	TBD	Submitted to Sussex Conservation District
II	Stormwater Management Plan	No	TBD	Submitted to Sussex Conservation District
II	Phased Residential Planned Community (RPC) Final Plan	No	TBD	N/A
III	Construction Improvement Plan	No	TBD	N/A
III	Sediment and Erosion Control Permit	No	TBD	N/A
III	Stormwater Management Plan	No	TBD	N/A
III	Phased Residential Planned Community (RPC) Final Plan	No	TBD	N/A
IV	Construction Improvement Plan	No	TBD	N/A
IV	Sediment and Erosion Control Permit	No	TBD	N/A
IV	Stormwater Management Plan	No	TBD	N/A
IV	Phased Residential Planned Community (RPC) Final Plan	No	TBD	N/A
V	Construction Improvement Plan	No	TBD	N/A
V	Sediment and Erosion Control Permit	No	TBD	N/A
V	Stormwater Management Plan	No	TBD	N/A
V	Phased Residential Planned Community (RPC) Final Plan	No	TBD	N/A
VI	Construction Improvement Plan	No	TBD	N/A
VI	Sediment and Erosion Control Permit	No	TBD	N/A
VI	Stormwater Management Plan	No	TBD	N/A
VI	Phased Residential Planned Community (RPC) Final Plan	No	TBD	N/A

**6) Status of Development:**

**A) Status of road improvements:**

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Base paving complete for 119 60' SFD lots

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Base paving complete for approximately 110 70' SFD lots

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Rt. 24 and Godwin School Road improvements complete

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Approximately 1100' of paving for Plantation Lakes Blvd. complete

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**B) Status of water infrastructure:**

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Water main and services installed for 119 60' SFD lots

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Water main and services installed for approximately 110 70' SFD lots

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Foundation for water tower (future) complete

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**C) Status of Sewer infrastructure:**

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Offsite pump station and force main complete

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Sewer main and laterals complete for approximately 140 60' SFD lots

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Sewer main and laterals complete for approximately 168 70' SFD lots

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**D) Status of storm water management systems:**

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Box culvert under Rt. 24 complete

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Ponds ID, IE, IF and all associated storm drains/inlets are complete and stabilized

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Pond IG and associated storm drains under construction

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**E) Status of Town's Facilities:**

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See budget information

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**F) Status of other infrastructure and private utility development:**

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All dry utilities complete for 229 SFD lots

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7) Status of Sales and Closings:

A) Status of Product Lot Sales and Closings by Developers:

Product - Type	Planned Number of Units	Builder	Lots Sold	Lots Closed
Rec-Condo (smaller unit)	480	N/A	0	0
Rec-Condo (larger unit)	480	N/A	0	0
Townhomes /Single-Family Attached 20'	559	Gemcraft	154	0
Single-Family Attached/Villa 30'	40	U.S. Home	40	0
Single-Family Detached 60'	641	Various	251	28
Single-Family Detached 70'-75'	412	Various	176	25
Single-Family Detached 80'	205	N/A	0	0
<b>Total</b>	<b>2,817</b>		<b>621</b>	<b>53</b>

B) Status of Building Permits, Home Sales and Closings:

Product Type	Planned Number of Units	Building Permits Issued	Homes Sold	Homes Closed	Average Selling Price
Rec-Condo (smaller unit)	480	0	0	0	N/A
Rec-Condo (larger unit)	480	0	0	0	N/A
Townhomes /Single-Family Attached 20'	559	0	0	0	N/A
Single-Family Attached/Villa 30'	40	0	0	0	N/A
Single-Family Detached 60'	641	16	15	0	\$342,339
Single-Family Detached 70'-75'	412	22	19	3	\$458,427
Single-Family Detached 80'	205	0	0	0	N/A
<b>Total</b>	<b>2,817</b>	<b>38</b>	<b>34</b>	<b>3</b>	<b>\$407,211</b>

8) Material Changes in the Form, Organization or Ownership of the Landowner/Developer: There have been no material changes in the form, organization or ownership of the landowner/developer of the district as described on the Limited Offering Memorandum.

True

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9) **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 and permits for all or any portion of the development within the district.

True

10) **Litigations:** There have been no litigation of any nature now pending or threatened against the developer that would have a material adverse impact on the financial position of the developer or on its ability to develop the development.

True

11) **Material amendments or Supplement to the Development Agreement or the Funding Agreement:** There have been no material amendments or supplements to the Development Agreement or the Funding agreement described in the Limited Offering Memorandum.

True

12) **Default to any public works agreement, permit or approval:** There have been no defaults on the part of the developer with respect to any public works agreement, permit or approval regarding to the district.

True

13) **Other Comments:**

None

- 14) **Reporting of Significant Events:** The developer has not obtained actual knowledge of the occurrence of any significant events attached hereto. [Please either confirm the statement above or describe the occurrence of any significant event in the space provided below.]

True

LENCRAFT, L.L.C.

By: Lencraft, L.L.C.

By: 

Title: ROBERT J. JACOBY  
DIVISION PRESIDENT

U.S. HOME CORPORATION, GENERAL MANAGER

Date: AUGUST 14, 2007



### **Significant Events**

- i. failure to pay any real property taxes (including the special taxes) levied within the district on a parcel owned by the development 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, including but not limited to the Development Loan (as defined in the Limited Offering Memorandum);
- 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 thereof including but not limited to the Development Loan (as defined in the Limited Offering Memorandum);
- v. the filing of the developer or any affiliate thereof, or by any owner of more than 25% interest in the developer in bankruptcy or any determination that the developer or any affiliate thereof, or an 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 or against or pertaining to any assets within the development with claims: for damages in excess of \$1,000,000 which may adversely affect the completion of the development or which may materially adversely affect the financial condition of the developer.