

\$17,849,000
TOWN OF MILLSBORO, 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.
6760 Alexander Bell Drive, Suite 220
Columbia, MD 21046

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement") by and between the undersigned, Lencraft, LLC (the "Developer") and MuniCap, Inc. (the "Administrator"), dated as of June 1, 2007, the Developer hereby provides the following information as of June 30, 2009. 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:

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 June 30, 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 Development and Improvement:

| Public Improvement | Original Budget | Budget Changes | Revised Budget | Spent to Date | Percent Complete |
|---|------------------------|-----------------------|------------------------|------------------------|-------------------------|
| Development Facilities: | | | | | |
| Water Supply | \$5,511,200.00 | \$0.00 | \$5,511,200.00 | \$2,413,842.16 | 44% |
| Wastewater | \$6,692,280.00 | \$0.00 | \$6,692,280.00 | \$5,404,557.87 | 81% |
| Transportation | \$4,806,203.00 | \$0.00 | \$4,806,203.00 | \$2,950,468.74 | 61% |
| Others | \$402,883.00 | \$0.00 | \$402,883.00 | \$402,833.00 | 100% |
| Grading/Excavations/Stabilization | \$633,800.00 | \$0.00 | \$633,800.00 | \$489,840.00 | 77% |
| Subtotal: Developer's Facilities | \$18,046,366.00 | \$0.00 | \$18,046,366.00 | \$11,661,541.77 | 65% |
| Less: Private Funds | \$6,220,844.95 | \$0.00 | \$6,220,844.95 | \$0.00 | 0% |
| Developer's Facilities financed by the Series 2007A Bonds | \$11,825,521.05 | \$0.00 | \$11,825,521.05 | \$11,661,541.77 | 99% |
| 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 | \$0.00 | 0% |
| Emergency service building – Reallocated to wastewater improvements* | \$1,441,000.00 | \$0.00 | \$1,441,000.00 | \$0.00 | 0% |
| Street Sweeper | \$58,694.35 | \$0.00 | \$58,694.35 | \$58,694.35 | 100% |
| Restroom for Cupola Park | \$39,000.00 | \$0.00 | \$39,000.00 | \$21,954.30 | 56% |
| Police Cars (2) | \$60,000.00 | \$0.00 | \$60,000.00 | \$60,000.00 | 100% |
| Computer software for water meters | \$23,000.00 | \$0.00 | \$23,000.00 | \$0.00 | 0% |
| Office Equipment | \$20,000.00 | \$0.00 | \$20,000.00 | \$9,194.54 | 46% |
| Infrastructure Improvements | \$58,305.65 | \$0.00 | \$58,305.65 | \$0.00 | 0% |
| Subtotal: Town's Facilities | \$1,800,000.00 | \$0.00 | \$1,800,000.00 | \$149,843.19 | 8% |
| Total: | \$13,625,521.00 | \$0.00 | \$13,625,521.00 | \$11,811,384.96 | 87% |

*Town of Millsboro reports that the Town Council decided to reallocate the funds for the emergency service building to wastewater improvements.

2) Status of Financing

A. Loans Secured by Property within the District:

Wachovia Bank Development loan:

- Loan Amount: \$30,000,000 (revolving line of credit)
- Amount drawn through 06/30/09: \$33,970,678.75
- Amount repaid through 06/30/09: \$33,970,678.75
- Balance at 06/30/09: \$0.00
- Loan is Repaid in Full

Wachovia Bank Dukes Property Loan

- Loan Amount: \$4,365,000
- Amount drawn through 06/30/09: \$4,365,000.00
- Amount repaid through 06/30/09: \$4,365,000.00
- Balance at 06/30/09: \$0.00
- Loan is Repaid in Full

Lennar Mortgage & Security Agreement

- Loan Amount: \$15,000,000
- Amount drawn through 06/30/09: \$13,449,511.37
- Amount repaid through 06/30/09: \$13,449,511.37
- Balance at 06/30/09: \$0.00
- Loan is Repaid in Full

Astoria Options, LLC Amended and Restated Mortgage and Security Agreement

- Loan Amount: \$15,899,729.95
- Amount drawn through 06/30/09: \$15,899,729.95
- Amount repaid through 06/30/09: \$15,899,729.95
- Balance at 06/30/09: \$0.00
- Loan is Repaid in Full

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.

C. Event of Default on any Loan: There has been no event of default on any loan.

D. Liens: None

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% | \$175,000 - \$200,000 |
| 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 | 2,817 | | 100% | |

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 | Submitted to Sussex Conservation District |
| II | Sediment and Erosion Control Permit | No | TBD | Submitted to Sussex Conservation District |
| II | Stormwater Management Plan | Yes | April 7, 2007 | Approved by 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:

Base paving complete for 145 - 60' SFD lots
Base paving complete for approximately 176-70' SFD lots
Rt. 24 Godwin School Road improvements complete
Base paving complete for Plantation Lakes Blvd. to intersection with Belmont Blvd.
Base paving complete for Belmont Blvd. to intersection with Plantation Lakes

B. Status of water infrastructure:

Water main and services installed for 157- 60' SFD lots
Water main and services installed for approximately 157 -70' SFD lots
Water Tower construction proceeding – scheduled to be operational by September 2009

C. Status of sewer infrastructure:

Offsite pump station and force main complete & turned over to town for ownership and maintenance.
Sewer main and laterals complete for approximately 157- 60' SFD lots
Sewer main and laterals complete for approximately 176- 70' SFD lots

D. Status of storm water management systems:

Box culvert under Rt. 24 complete
Ponds ID, IE, IF and all associated storm drains/inlets are complete and stabilized

E. Status of Town's Facilities:

The first of two restrooms for Cupola Park has been delivered and set in place. The second restroom has not yet been ordered. The Town submitted \$21,954.30 for reimbursement. The Town's new computer server was installed in December 2007

At the December Regular Council Meeting, Council approved the purchase of two new police vehicles from the Special Development District Bond. The vehicles were ordered and have been delivered to the Town of Millsboro. A reimbursement request of \$55,949.02 was made in the first quarter of 2008 to close out this budget line item. The installation of the specialized police equipment was completed during the second quarter of 2008.

The property for the emergency services building and park was dedicated to the Town of Millsboro in the second quarter of 2008. The Millsboro Fire Company filed an application for a substation at this location with the state and received the state's blessing. As of October 17, 2008, the town reports that the Town Council has appointed a committee to work with the Fire Company on the new substation.

The Town Council approved the use of the infrastructure improvements budget line item at the December 1, 2008 meeting for stormwater improvements from the junction of Mitchell St. and Wilson Hwy to the railroad tracks on Wilson Hwy. These funds combined with existing grants should be sufficient to correct the existing stormwater problem and allow the town to proceed with bids. The bid for this project is expected during the third quarter of 2009. The Town Council has decided to reallocate the funds for the emergency services building to wastewater improvements.

F. Status of other infrastructure and private utility development:

All dry utilities complete for 275 SFD lots

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 (small unit) | 480 | N/A | 0 | 0 |
| Rec-Condo (large unit) | 480 | N/A | 0 | 0 |
| TH / SFA 20' | 559 | Gemcraft | 0 | 0 |
| SFA / Villa 30' | 40 | U.S. Homes | 0 | 0 |
| SFD 60' | 641 | Various | 36 | 36 |
| SFD 70' – 75' | 412 | Various | 152 | 152 |
| SFD 80' | 205 | N/A | 0 | 0 |
| Total | 2,817 | | 188 | 188 |

The contract between Lencraft and NVR, Inc. has been terminated and while there is disagreement between the parties as to the disposition of NVR, Inc's deposit, no litigation is pending or has been threatened. The contracts between Lencraft and both Gemcraft Homes and U.S. Home Corporation have been terminated by mutual agreement of the parties.

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 (small unit) | 480 | 0 | 0 | 0 | N/A |
| Rec-Condo (large unit) | 480 | 0 | 0 | 0 | N/A |
| TH / SFA 20' | 559 | 0 | 0 | 0 | N/A |
| SFA / Villa 30' | 40 | 0 | 0 | 0 | N/A |
| SFD 60' | 641 | 45 | 35 | 34 | \$340,917 |
| SFD 70' – 75' | 412 | 47 | 40 | 38 | \$417,024 |
| SFD 80' | 205 | 0 | 0 | 0 | N/A |
| Total | 2,817 | 92 | 75 | 72 | \$378,971 |

8) Material Changes in the Form, Organization or Ownership of the Landowner/Developer: On November 26, 2008, U.S. Home Corporation acquired the 50% interest in Lencraft, LLC previously owned by DIAGEM, LLC. U.S. Home Corporation is now the sole member of Lencraft, LLC.

9) Legislative, Administrative or Judicial Challenges: There have been no legislative, administrative, or judicial challenges to the construction of the improvements within the district.

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 developments.

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.

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.

13) Other Comments:

None

14) Reporting of Significant Events:

None

LENCRAFT, LLC

By: Lencraft, LLC

By: Signature on file

Title: VP of Managing Member

Date: July 31, 2009

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 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.