THIS DISCLOSURE STATEMENT IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	Chapter 11
LANDSOURCE COMMUNITIES DEVELOPMENT LLC, *et al.*,	:	Case No. 08-11111 (KJC)
Debtors	:	(Jointly Administered)

PROPOSED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR THE FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION FOR LANDSOURCE COMMUNITIES DEVELOPMENT LLC AND ITS AFFILIATED DEBTORS PROPOSED BY BARCLAYS BANK PLC, AS ADMINISTRATIVE AGENT UNDER THE SUPER-PRIORITY DEBTOR-IN-POSSESSION FIRST LIEN CREDIT AGREEMENT

DATED: March 20, 2009

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I. INTRODUCTION

This Proposed Disclosure Statement (the "Disclosure Statement") has been prepared pursuant to section 1125 of chapter 11, title 11 of the United States Code (the "Bankruptcy Code") and Rule 3016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and describes the terms and provisions of the First Amended Joint Chapter 11 Plan of Reorganization for LandSource Communities Development LLC and its Affiliated Debtors Proposed by Barclays Bank PLC, as Administrative Agent Under the Super-Priority Debtor-In-Possession First Lien Credit Agreement ("Barclays," the "Administrative Agent" or the "Proponent"), filed with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on March 20, 2009 (the "Plan"). A copy of the Plan is attached hereto as Exhibit "A." Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in Article I of the Plan.

This Disclosure Statement sets forth certain information regarding the Debtors' prepetition history as well as significant events that have occurred during the Chapter 11 Cases. This Disclosure Statement also describes the terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan and the manner in which distributions will be made under the Plan, as well as the Plan confirmation process.

For a summary of the Plan, please see Sections II.D and V hereof. For a discussion of certain factors to be considered prior to voting, please see Section VIII hereof.

The statements contained in this Disclosure Statement are generally made as of the date hereof, unless another time is specified, and delivery of this Disclosure Statement shall not create an implication that there has been no change in the information set forth herein since the date of this Disclosure Statement or the date of the materials relied upon in preparation of this Disclosure Statement.

This Disclosure Statement is not necessarily in accordance with Federal or State securities laws or similar laws and may not be relied upon for any purpose other than to determine how to vote on the Plan, and nothing contained herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving the Proponent or any other party, or be deemed conclusive advice on the tax or other legal effects of the Plan on holders of Claims and Interests (collectively, the "Claimants").

The description of the Plan contained in this Disclosure Statement is intended as a summary only and is qualified in its entirety by reference to the Plan itself. All Claimants who are entitled to vote are encouraged to read and carefully consider this entire Disclosure Statement, including the Plan, prior to submitting a ballot pursuant to any solicitation of votes with respect to the Plan. If any inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are controlling.

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain documents related to the Plan, certain events in

the Debtors' Chapter 11 Cases and certain financial information. Although the Proponent believes that these summaries are fair and accurate, the summaries are qualified in their entirety to the extent that they do not set forth the entire text of such documents or statutory provisions. In the event of any inconsistency or discrepancy between a description contained in this Disclosure Statement, including other documents or financial information incorporated into the Disclosure Statement by reference, and the terms and provisions of the Plan, the terms of the Plan shall govern for all purposes. In the event of any inconsistency between the Disclosure Statement and any documents or financial information incorporated into the Disclosure Statement, such other documents or other financial information, as the case may be, shall govern for all purposes.

No one is authorized to give any information with respect to the Plan other than that which is contained in this Disclosure Statement. No representations concerning the Debtors or the value of their property have been authorized by the Proponent other than as set forth in this Disclosure Statement and the documents attached to this Disclosure Statement. Any information, representations or inducements made to obtain an acceptance of the Plan or a subscription under the Rights Offering that are other than as set forth, or inconsistent with, the information contained in this Disclosure Statement, the documents attached to this Disclosure Statement, the Plan or the Plan Supplement, should not be relied upon by any Holder of a Claim or Interest.

With respect to contested matters, adversary proceedings and other pending, threatened, potential litigation or other actions, this Disclosure Statement does not constitute, and may not be construed as, an admission of fact, liability, stipulation, or waiver, but rather as a statement made in the context of settlement negotiations pursuant to Rule 408 of the Federal Rules of Evidence.

The securities described in this Disclosure Statement will be issued without registration under the Securities Act of 1933, as amended (the "Securities Act"), as amended, or any similar federal, state, or local law, pursuant to either section 1145 of the Bankruptcy Code or the Private Placement Exemption under Section 4(2) of the Securities Act or Regulation D promulgated thereunder, as more fully set forth herein. There is currently no public market for the securities described in this Disclosure Statement nor does the Proponent anticipate that there will be such a public market. Such securities will not be listed on any securities exchange. Any Holders of Claim or Interests receiving securities under the Plan should consult their own legal counsel concerning the securities laws and the laws governing the ownership and transferability of any such securities.

This Disclosure Statement has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement or upon the merits of the Plan.

Although the Proponent believes that the Plan complies with all applicable provisions of the Bankruptcy Code, the Proponent cannot assure such compliance or that the Bankruptcy Court will confirm the Plan.

Although the Proponent has used its best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in or incorporated by reference into this Disclosure Statement has not been audited, except as specifically indicated otherwise.

Consolidated projected operating and financial results (the "Financial Projections") provided in this Disclosure Statement have been prepared by or on behalf of the Debtors and/or the Proponent. The Financial Projections, while presented with numerical specificity, are necessarily based on a variety of estimates and assumptions which, though considered reasonable by the Proponent, may not be realized, and are inherently subject to significant business, economic, competitive, industry, regulatory, market and financial uncertainties and contingencies, many of which are beyond the Proponent's control. The Proponent cautions that no representations can be made as to the accuracy of the Financial Projections or the likelihood that the projected results will be achieved. Some assumptions inevitably will not materialize. Future events and projections may be different from those assumed or, alternatively, may have been unanticipated, and, thus, the occurrence of these events may affect financial results in a materially adverse or materially beneficial manner. Therefore, the Financial Projections may not be relied upon as a guaranty or other assurance of the actual results that will occur.

A. Purpose of Disclosure Statement

The Proponent has prepared this Disclosure Statement in connection with its solicitation of acceptances of the Plan. The purpose of this Disclosure Statement is to provide Claimants with sufficient information to make an informed decision as to whether to accept or reject the Plan and to exercise Subscription Rights under the Rights Offering. Each Claimant entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. The Plan is a legally binding arrangement. No summary of the Plan should be relied upon in determining whether to accept or reject the Plan.

Unless otherwise defined herein, all capitalized terms contained in this Disclosure Statement shall have the meanings ascribed to them in the Plan.

B. Disclosure Statement Enclosures

Attached as Exhibits to the Disclosure Statement are the following documents:

1. The Plan (Exhibit "A");

2. The Disclosure Statement Order (Exhibit "B");

3. Liquidation Analysis (Exhibit "C"); and

4. Financial Projections (Exhibit "D").

All exhibits to the Plan will be filed as part of the Plan Supplement, which will be filed with the Clerk of the Bankruptcy Court fifteen (15) days prior to the deadline for filing objections to confirmation of the Plan, or in accordance with such other deadlines as may be established in the Disclosure Statement Order or another Final Order of the Bankruptcy Court.

On _____, 2009, after notice and a hearing, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind and in sufficient detail adequate to enable the Claimants to make informed judgments as to whether to accept or reject the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.**

Not every Claimant is entitled to vote on the Plan. As prescribed by the Bankruptcy Code and the Bankruptcy Rules, Claims asserted against, and Interests in, the Debtors are placed into Classes. The Plan designates seven (7) separate Classes of Claims and Interests. The classification and the treatment of each Class is discussed in detail below. Under the Bankruptcy Code, only Classes of Claims or Interests that are Impaired and will be receiving or retaining property under the Plan are entitled to vote to accept or reject the Plan. Accordingly, the Proponent is seeking acceptance of the Plan by Holders of Claims in Classes 2, 4 and 5 the Claims of which are Impaired and will be receiving Distributions under the Plan. Holders of Claims in Classes 1 and 3 are unimpaired. Accordingly, Holders of Claims in these Classes are deemed to accept the Plan and are therefore not entitled to vote to accept or reject the Plan, see Article V of the Plan, entitled, "Provisions for Treatment of Claims and Interests Classified in the Plan." Holders of Interests in Classes 6 and 7 will neither be receiving Distributions nor receiving or retaining any interest in the Debtors, the Reorganized Debtors, the Estates, the Estate Assets or other property or interests in property thereof on account of such Interests. Accordingly, Holders of Interests in these Classes are deemed to reject the Plan and, therefore, not entitled to vote to accept or reject the Plan, see Article V of the Plan, entitled, "Provisions for Treatment of Claims and Interests Classified in the Plan."

As set forth in Article VI.C of the Plan, the Holder of any Claim that, as of the Voting Record Date, (a) has been Disallowed, (b) is the subject of a pending objection, or (c) was listed on the Debtors' Schedules as unliquidated in amount, contingent or disputed (if no contrary Proof of Claim with respect to such Claim has been timely filed) or a Proof of Claim with respect to which was filed on or before the Bar Date pursuant to the provisions of the Bar Date Order and such Proof of Claim asserts such Claim as unliquidated in amount, contingent or disputed, shall not be entitled to vote on the Plan, unless on or prior to the Voting Record Date the Bankruptcy Court enters a Final Order directing otherwise; provided, however, that if only a portion of such Claim has been Disallowed, objected to or listed or asserted (as applicable) as unliquidated, contingent or disputed, such Holder shall be entitled to vote the remainder of such Claim in an amount determined pursuant to Article VI.C of the Plan. Unless otherwise provided in this Disclosure Statement, if you are not entitled to vote solely because your Claim is the subject of a pending objection, you may apply to the Bankruptcy Court for an order allowing your Claim for voting purposes only, in accordance with the Disclosure Statement Order.

To be counted, Holders of Impaired Claims entitled to vote shall cast their vote to accept or reject the Plan in accordance with the instructions on the ballot (the "Ballot") provided

as part of the Solicitation Package (as defined below). Such Ballots should be cast in accordance with the solicitation procedures established pursuant to the Disclosure Statement Order. Any Ballot received after the Voting Deadline Date shall be counted in the sole discretion of the Proponent.

If you have any questions about the Plan, this Disclosure Statement or the Voting Procedures, please call David Wolnerman at 212-801-2266.

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on _____, 2009, at _____ [a.m.] [p.m.], before the Honorable Kevin J. Carey, United States Bankruptcy Court, 824 North Market Street, 5th Floor, Wilmington, DE 19801. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed on or before _____, 2009, at _____ [a.m.] [p.m.] (Eastern Time), in the manner described in this Disclosure Statement under Section VI.H.5, entitled, "Confirmation and Consummation Procedure—The Confirmation Hearing." The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or at any subsequent adjourned date of the Confirmation Hearing.

THE PROPONENT BELIEVES THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERIES TO CLAIMANTS AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EVERY CLASS OF CLAIMANTS. ACCORDINGLY, THE PROPONENT RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

II. OVERVIEW OF THE PLAN

A. RULES OF INTERPRETATION, COMPUTATION OF TIME, AND REFERENCES TO MONETARY FIGURES

1. Rules of Interpretation

For purposes of this Disclosure Statement: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) unless otherwise specified, any reference in this Disclosure Statement to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) unless otherwise specified, any reference in this Disclosure Statement to an existing document, schedule, or exhibit, whether or not filed, shall mean such document, schedule or exhibit, as it may have been or may be amended, modified, or supplemented; (d) any reference to any entity as a Holder of a Claim or Interest includes that entity's successors and assigns; (e) unless otherwise specified, all references in this Disclosure Statement to Articles are references to Articles of this Disclosure Statement; (f) unless otherwise specified, all references in this Disclosure Statement to exhibits are references to exhibits in the Plan Supplement; (g) the words "herein," "hereof," and "hereto" refer to this Disclosure Statement in its entirety rather than to a

particular portion of this Disclosure Statement; (h) subject to the provisions of any contract, certificate of incorporation, bylaw, instrument, release or other agreement or document entered into in connection with the Plan, the rights and obligations arising pursuant to the Plan shall be governed by, and construed and enforced in accordance with applicable federal law, including the Bankruptcy Code and Bankruptcy Rules; (i) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Disclosure Statement; (j) unless otherwise set forth in this Disclosure Statement, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (k) any term used in capitalized form in this Disclosure Statement that is not otherwise defined in the Plan but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; (l) all references to docket numbers of documents filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (m) all references to statutes, regulations, orders, rules of courts and the like shall mean as amended from time to time, as applicable to the Chapter 11 Cases, unless otherwise stated; and (n) any immaterial effectuating provisions may be interpreted by the Proponent in such a manner that is consistent with the overall purpose and intent of the Plan all without further notice to or action, order or approval of the Bankruptcy Court or any other entity.

2. Computation of Time

In computing any period of time prescribed or allowed, the provisions of Bankruptcy Rule 9006(a) shall apply. If the date on which a transaction may occur pursuant to this Disclosure Statement shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day.

3. Reference to Monetary Figures

All references in this Disclosure Statement to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

B. OVERVIEW OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated holders of claims and equity interests, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the commencement of the chapter 11 case. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan of reorganization is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any entity acquiring property under the plan, any holder of a claim or equity interest in a debtor, and all other entities as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code, to the terms and conditions of the confirmed plan. Subject to certain limited

exceptions, the order issued by the bankruptcy court confirming a plan provides for the treatment of claims and equity interests in accordance with the terms of the confirmed plan.

Prior to soliciting acceptances of a proposed chapter 11 plan, section 1125 of the Bankruptcy Code requires a plan proponent to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the chapter 11 plan. This Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code

C. THE PURPOSE AND EFFECT OF THE PLAN

After careful review of the Debtors' current business operations and various liquidation and recovery scenarios, the Proponent has concluded that the recovery for Holders of Allowed Claims and Interests will be maximized by the Debtors' continued operation as a going concern pursuant to the restructuring described in the Plan. The Proponent believes that the Debtors' businesses and assets have significant value that would not be realized in a liquidation scenario, either in whole or in substantial part.

The Proponent believes that the Plan provides the best recoveries possible for Holders of Allowed Claims and Interests and strongly recommend that, if such Holders are entitled to vote, they vote to accept the Plan. As discussed in further detail in this Disclosure Statement, the Proponent believes that any alternative to confirmation, such as liquidation or attempts by another entity to file an alternative plan or reorganization, could result in significant delays, litigation, and additional costs.

Several documents that will be included in the Plan Supplement are described in this Disclosure Statement, but these summaries are not a substitute for a complete understanding of such documents. Please review the full text of all such documents in the Plan Supplement.

D. Narrative Summary of Proposed Plan of Reorganization

The following is a summary of the Plan, which is intended to provide parties in interest with a concise description of the Plan. THIS SUMMARY IS NOT A COMPLETE DESCRIPTION OF THE PLAN AND DOES NOT SUBSTITUTE FOR THE PLAN AND THE DISCLOSURE STATEMENT, BOTH OF WHICH SHOULD BE READ CAREFULLY IN THEIR ENTIRETY. This summary is provided for convenience only, and in the event of any discrepancy between this summary overview and the terms of the Plan, the Plan controls.

The Plan provides for (a) the reorganization of each of the Debtors, with ownership of the Reorganized Debtors and their respective assets vesting in the applicable Reorganized Debtor, free and clear of all claims, liens, charges encumbrances and interests of Claims and Interests Holders except as otherwise specifically provided in the Plan, with Reorganized LandSource Communities owned up to 85% by the Holders of First Lien Secured Claims, subject to dilution, and up to 15% by Lennar; (b) a settlement with the Lennar Entities of the Lennar Released Claims; (c) a sale to the Lennar Entities of the Lennar Acquired Assets; (d) establishment and implementation of a Litigation Trust for the purposes of (i) evaluating, prosecuting and resolving all Disputed Class 4 Claims against the Debtors' Estates; and (ii)

prosecution of the Avoidance Actions, to the extent not settled or resolved prior to the Effective Date of the Plan; (e) the evaluation, prosecution and resolution by the Reorganized Debtors of all Claims and Interests (other than the Class 4 Claims and Avoidance Actions); and (f) the satisfaction of Claims against and Interests in the Debtors as set forth below in Articles II.E and V.B. below. The Plan is expected to become effective on May 31, 2009, the Maturity Date (as defined in the DIP Credit Agreement) of the DIP Credit Agreement.

E. Summary Treatment of Claimants Under the Plan

The Plan classifies and provides for treatment of Claims and Interests as summarized in the following table:

Class	Description	Treatment	Entitled to Vote	Range of Claims	Estimated Recovery
--	Administrative Expense Claims	Each Holder of an Allowed Administrative Expense Claim shall receive (i) the Allowed Amount of such Claim in one Cash payment on the first Distribution Date after such Claim becomes Allowed as provided in Article IV.A.2 of the Plan, or (ii) such other treatment as may be agreed in writing by the Proponent and such Holder; provided, however, that an Administrative Expenses Claim representing a liability incurred in the ordinary course of business by the Debtors' may be paid in the ordinary course of the Debtors' business.	N/A	[ ]	100%
--	Fee Claims	Except as provided in the Final DIP Order, and unless a Final Order of the Bankruptcy Court entered prior to the Effective Date establishes an earlier date with respect to such Claim or Allows such Claim (and no portion of such Claim remains Disputed as of the Effective Date), each professional Person who holds or asserts a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court and serve on all parties required to receive notice of filings in the Chapter 11 Cases a Fee Application within sixty (60) days after the Effective Date. The failure to file and serve such Fee Application timely and properly shall result in the Fee Claim being forever barred and discharged. To the extent necessary, entry of the Confirmation Order shall amend and supersede any previously entered order of the Bankruptcy Court regarding procedures for the payment of Fee Claims,	N/A	[ ]	100%

Class	Description	Treatment	Entitled to Vote	Range of Claims	Estimated Recovery
		other than the Final DIP Order. A Fee Claim, with respect to which a Fee Application has been properly filed and served pursuant to Article IV.B.1 of the Plan, shall become an Allowed Fee Claim only to the extent allowed by Final Order of the Bankruptcy Court, and shall be paid in accordance with such Final Order.			
--	Priority Tax Claims	Each Holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Debtors, with the consent of the Proponent, or the Reorganized Debtors, as applicable, (a) the Allowed Amount of such Claim in one Cash payment on the Distribution Date; (b) the Allowed Amount of such Claim *plus* interest accrued at the Mid-Term AFR Rate (compounding annually), in equal annual cash payments on each anniversary of the Effective Date, until the last anniversary of the Effective Date that precedes the fifth (5th) anniversary of the Commencement Date; or (c) such other treatment as may be agreed upon in writing by the Debtors or the Reorganized Debtors, as applicable, and such Holder.	N/A	[ ]	100%
--	DIP Revolver Loan Claims	Except to the extent that the Holders of the DIP Revolver Loan Claims agree to a different treatment, the Administrative Agent, for the benefit of each Holder of a DIP Revolver Loan Claim, shall be paid the aggregate Allowed Amount of the DIP Revolver Loan Claims in full in Cash on the Distribution Date.	N/A	[ ]	100%
1	Priority Non-Tax Claims	Except to the extent a Holder of a Priority Non-Tax Claim agrees to less favorable treatment, each Holder of an Allowed Priority Non-Tax Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.	No Unimpaired Deemed to Accept	[ ]	100%
2	First Lien Secured Claims	Each Holder of a First Lien Secured Claim shall: (a) receive its Pro Rata Share of the First Lien Claim Equity Interests; (b) be paid its Pro Rata Share of the proceeds of the LNR Excess G&A Claims in excess of such amount agreed to by the Administrative Agent and Lennar; and (c) receive the right to participate in the	Yes	[ ]	[%]

Class	Description	Treatment	Entitled to Vote	Range of Claims	Estimated Recovery
		Rights Offering. All Distributions to be made to Holders of First Lien Secured Claims pursuant to Article V.B of the Plan shall be made to the Administrative Agent for the benefit of such Holders. Each Holder of a First Lien Secured Claim receiving a First Lien Claim Equity Interest will be subject to the rights and obligations applicable to such Holder in the Reorganized LandSource LLC Agreement, including with respect to transfer restrictions set forth therein.			
3	Senior Permitted Lien Claims	Except to the extent a Holder of a Senior Permitted Lien Claim agrees to less favorable treatment, each Holder of an Allowed Senior Permitted Lien Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.	No Unimpaired Deemed to Accept	[ ]	100%
4	Unsecured Claims	Each Holder of an Allowed Unsecured Claim shall receive its Pro Rata Share of the Unencumbered Assets Distribution, subject to the Turned-Over Distribution. The Litigation Trustee shall hold those common units distributable to the Holders of Allowed Unsecured Claims (other than such common units distributed to the Holders of First Lien Deficiency Claims and Holders of Second Lien Claims) on account of the Unencumbered Assets Distribution, and the Litigation Trustee and each Holder of an Allowed Unsecured Claim shall be subject to the rights and obligations applicable to such Holder in the Reorganized LandSource LLC Agreement, including with respect to transfer restrictions set forth therein.	Yes	[ ]	%[%]
5	Convenience Class Claims	Each Holder of an Allowed Unsecured Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Effective Date.	Yes	[ ]	___%
6	LandSource Communities Interests	All Interests in LandSource Communities shall be cancelled on the Effective Date, and the Holders of such cancelled LandSource Communities Interests shall not receive or retain any interest in the Debtors, the Reorganized Debtors, the Estates, the Estate Assets or other property or interests in property of the	No Impaired Deemed to Reject	N/A	0%

Class	Description	Treatment	Entitled to Vote	Range of Claims	Estimated Recovery
		Debtors or the Reorganized Debtors on account of the LandSource Communities Interests, and shall not be entitled to any Distribution under the Plan on account of the LandSource Communities Interests.			
7	Intercompany Interests	All Intercompany Interests in the Debtors shall be cancelled on the Effective Date, and the Holders of such cancelled Intercompany Interests shall not receive any distribution under the Plan; provided, however, that at the option of the Reorganized Debtors, Intercompany Interests may be retained, and the legal, equitable, and contractual rights to which the Holders of such Intercompany Interests are entitled may remain unaltered in order to implement the Plan.	No Impaired Deemed to Reject	N/A	0%

III. DESCRIPTION OF THE DEBTORS' BUSINESS AND REASONS FOR FILING FOR CHAPTER 11

A. Overview of Debtors' Business

1. Corporate History

LandSource Communities, a Delaware limited liability company, was formed in November 2003 as a joint venture between Lennar Corporation ("Lennar") and LNR Property Corporation ("LNR"). Lennar and LNR formed LandSource Communities to make strategic acquisitions and act as a holding company for certain jointly-owned partnerships created by Lennar and LNR. In January 2004, LandSource Communities acquired the Newhall Land and Farming Company, a California Limited Partnership ("Newhall"), a developer of two master planned communities, for approximately $1 billion. In February 2007, Lennar and LNR admitted MW Housing Partners III, L.P. ("MWHP," and, together with Lennar and LNR, the "Sponsors") as a new member to the joint venture. MWHP is 95% owned by the California Public Employees' Retirement System, with the remaining 5% split equally between MWHP's managers, Macfarlane Housing, LLC ("MacFarlane") and Weyerhauser Realty Investors, Inc. ("WRI"). MWHP, upon becoming a Sponsor, contributed cash and real estate—including approximately 3,924 homesites located in California, New Jersey, Nevada and Arizona—to LandSource Holding Company, LLC ("LandSource Holding").

2. Overview of Business[1]

LandSource Communities (together with its Debtor and non-Debtor subsidiaries, the "LandSource Group" or the "Company") is the direct or indirect parent of each of the other Debtors in these Chapter 11 Cases. The LandSource Group is a large and diversified residential and commercial land development company headquartered in the Santa Clarita Valley in California. The Company's primary business is horizontal, rather than vertical, land development. A significant portion of the LandSource Group's horizontal development occurs within the context of master planned communities that are planned and developed by the Company. Horizontal development entails all material steps necessary to transform raw, undeveloped land into "ready-to-build" homesites for homebuilding and commercial land development, including master planning, taking such plans through the land entitlement process and obtaining necessary regulatory approvals, and implementing the development, construction and/or remediation necessary for homebuilders and/or commercial developers to put the land to use. Specific pre-development activities include clearing land, moving soil, installing water, cable, and sewer lines, grading and paving roads and providing community amenities such as recreation centers and parks. Upon completing these steps, the Company typically sells the property to a homebuilder or a commercial real estate developer.

3. Ownership Structure, Governance and Management

a. *Overview of Corporate Structure*

The following table lists LandSource Communities' Sponsors, their respective ownership interests, and the amount of each Sponsor's originally invested capital:

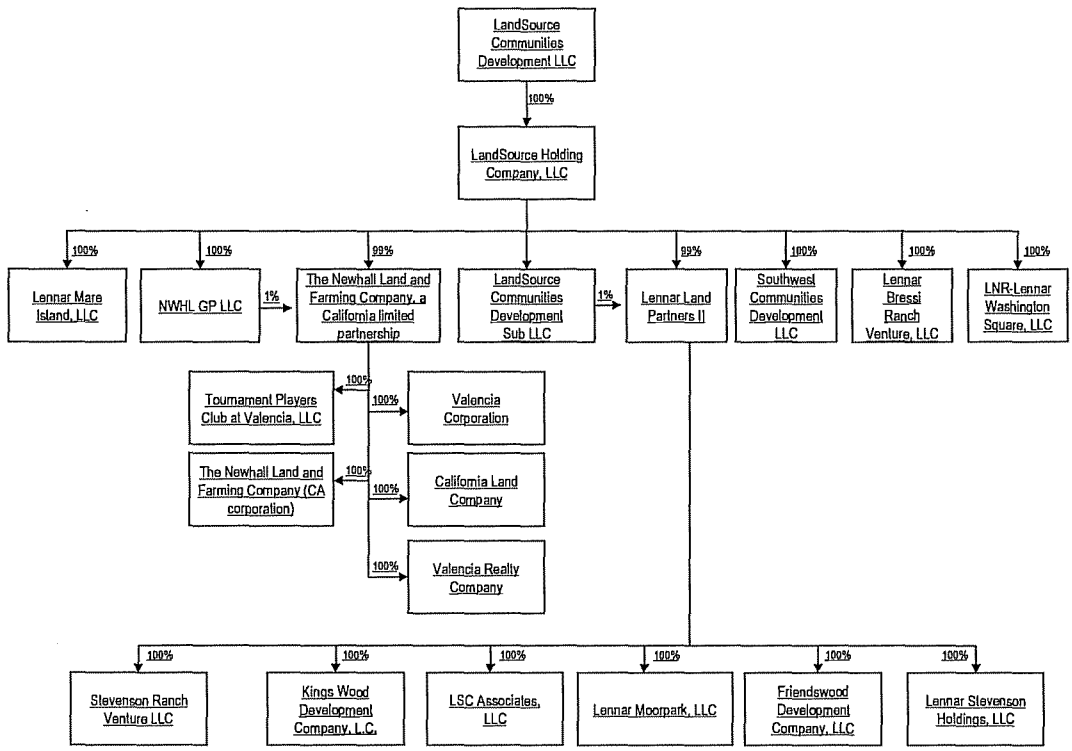
Member	Membership Interest	Original Capital Invested
Lennar[2]	16%	$228,470,112.16
LNR[3]	16%	$228,470,112.16
MWHP	68%	$970,997,976.68

[1] See Declaration of Donald L. Kimball in Support of the Debtors' Chapter 11 Petitions and First Day Motions (the "First Day Declaration"), ¶ 6. [Docket No. 10].

[2] Lennar holds its interest in LandSource Communities indirectly, through its wholly-owned subsidiary Lennar Homes of California, Inc. ("Lennar California").

[3] LNR holds its interest in LandSource Communities indirectly, through two wholly-owned subsidiaries, LNR NWHL Holdings, Inc. and LNR Land Partners Sub, LLC ("LNR Land").

The chart below provides a general overview of the Debtors' corporate structure:



b. *Management of the Company*

LandSource Communities operates pursuant to that certain Second Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), which provides the terms of LandSource Communities' governance and the respective duties and powers of each of the Sponsors. Pursuant to the LLC Agreement, LandSource Communities' day-to-day operations are managed by Lennar California and LNR Land (the "Managing Members"). Prior to the Commencement Date, the Managing Members were each paid a monthly development management fee for such management services. During the postpetition period, only Lennar California received a management fee. MWHP serves as "Land Bank Manager" under the LLC Agreement. Prior to the Commencement Date, MWHP received a monthly fee for such services.

"Major Decisions" of LandSource Communities (as defined in the LLC Agreement) are made by an eight-member executive committee (the "Executive Committee"). Until October 7, 2008, the Executive Committee was comprised of eight members—two appointed by each of Lennar and LNR, and four appointed by MWHP (consisting of two officers appointed by each of Macfarlane and WRI). As of February 2008, the Executive Committee was comprised of:

Name	Sponsor	Title
Emile Haddad	Lennar	Chief Investment Officer
Graham Jones	Lennar	SVP, Asset Management
David Team	LNR	Pres., U.S. Commercial Property Group
Thomas J. Hughes	LNR	Chairman, President and CEO
Victor MacFarlane	MWHP	Managing Principal and CEO of MacFarlane Partners
Jennifer Glover	MWHP	Managing Director, Portfolio & Investments, of MacFarlane Partners
Stephen Margolin	MWHP	President and CEO of WRI
David Brentlinger	MWHP	SVP, Director of Real Estate of WRI

As discussed in more detail below, effective October 7, 2008, the Executive Committee was reconstituted such that it currently consists solely of Timothy Hogan and Lawrence Webb, the Chief Restructuring Officers retained in the Chapter 11 Cases, except with respect to matters related to the Valencia Water Company.

4. Debtors' Significant Assets

The Company's assets are primarily located in the Western and Southwestern United States, including California, Arizona, Nevada and Texas, with some additional assets located in New Jersey and Florida. Traditionally, the LandSource Group has strategically targeted its site acquisitions in regions with strong population and economic growth, where land supply is limited and development can be readily supported by the Company's development resources. As of the end of 2007, the LandSource Group owned over 50 communities, with more than 34,000 homesites, over 800 acres of commercial land and four million square feet of commercial redevelopment.

a. *Newhall Properties*

Newhall owns some of the last remaining undeveloped homesites in the greater Los Angeles area and represents the majority of approved homesites in the rapidly growing Santa Clarita Valley, located 30 miles north of Los Angeles. Specifically, Newhall owns over 31,000 acres of entitled and unentitled land. This consists of approximately 15,000 acres for which there is a specific plan that provides for the build-out of approximately 27,000 homesites in the master planned communities of Valencia ("Valencia") and Newhall Ranch ("Newhall Ranch"), 740 net acres of commercial property and approximately 16,000 acres in Ventura County devoted to agriculture and energy operations ("Newhall Orchard"). In addition, through Newhall, the Company also owns a water company (the "Valencia Water Company") that services Valencia and certain LandSource Group communities, a private championship golf course in Valencia (the "Tournament Players Club") and agricultural and energy operations located at Newhall Orchard.

Valencia and Newhall Ranch are strategically located near major highways and serve as a gateway to northern Los Angeles. In Valencia alone, there are more than 60,000 jobs created by the over 1,500 companies located in its business parks.

In order to facilitate the completion of Valencia and the development of Newhall Ranch, there are a number of critical infrastructure projects that must be completed, including transportation-related projects, sewer construction, utility improvements and water-related construction.

i. *Valencia*

Valencia is a 15,000-acre master planned community that is projected to have a total build-out of 28,000 homes and 23 million square feet of commercial and industrial zoned property.[4] While the majority of Valencia properties are complete, four residential communities remain to be developed: Entrada, River Village, Soledad Village and West Hills-Area A, all of which are in various stages of the entitlement process. These communities consist of approximately 3,900 homesites. In addition, the master planned community of Stevenson Ranch, which will consist of approximately 2,500 homesites, is currently progressing through the entitlement process.

ii. *Newhall Ranch*

Newhall Ranch is the Company's single largest holding and consists primarily of undeveloped land with entitlements in progress. Newhall Ranch has specific plan approval from Los Angeles County's Board of Supervisors for over 20,000 homes and approximately 5 million square feet of commercial development on a 12,000 acre parcel adjacent to Valencia. To complement projected home and commercial development in the four villages that will comprise Newhall Ranch—Homestead, Landmark Village, Mission Village and Potrero—the Newhall Ranch specific plan provides for more than a dozen parks and/or recreation centers, a public library, seven schools, an 18-hole golf course, approximately 50 miles of hiking/walking trails and a visitor center.

b. *Mare Island*

Mare Island was established in 1854 as the first naval shipyard on the West Coast and received a National Historic Landmark designation in 1979. Subsequent to the closure of the shipyard in 1996, Lennar Mare Island LLC ("Lennar Mare Island"), a Debtor, was selected by the city of Vallejo, California, as the master developer for the redevelopment and reuse of Mare Island. Lennar Mare Island is developing Mare Island into a 650-acre master planned, mixed use development, which will include commercial/industrial space, 1,400 homesites, and civic, educational and public spaces. The rehabilitation and renovation of the Mare Island properties has included the beginning of restoration of existing historical structures, repurposing them for commercial and industrial use. To date, 2.1 million square feet of commercial space has been leased on Mare Island and 400,000 square feet has been sold. This property would be sold to the Lennar Entities under the Plan.

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[4] This number includes the planned community of Stevenson Ranch, due to its proximity to Valencia.

c. *Washington Square*

The Company's properties located in the Marina del Rey community of Los Angeles (the "Washington Square Properties" also known as "Pier Pointe" for marketing purposes) represent the only vertical development in the LandSource Group's portfolio. There are three types of homes within the portfolio: 45 luxury flats located in a high-rise tower, 27 podium townhomes and 50 upscale on-grade townhomes, for a total of 122 homesites. The homesites include a variety of amenities, such as ground floor retail shops, a fitness center and luxury appliances. The luxury flats are approximately 75% complete; the podium townhomes are approximately 50% complete; and the townhomes are a finished site. This property was sold during the Chapter 11 Cases (see Section IV.J.2.a below).

d. *Land Bank Properties*

The Company's land bank properties are comprised of:

Blackstone Properties: The Blackstone Properties consist of 775 finished and partially finished residential sites located 25 miles east of Sacramento's business district in El Dorado, California. The residential lots are located within seven villages in various stages of completion. All villages in the Blackstone development have final map approval, and most of the site development and infrastructure, including the installation of in-ground utilities, filling of utility trenches, completion of road beds and paving of certain streets in the development, has been completed.

Additional Northern California and Northern Nevada Properties: The Company has 1,343 homesites in eight communities in Northern California and Northern Nevada. Specifically, the properties in this portfolio are located in the metropolitan Reno, Nevada, and Sacramento, San Francisco and Bakersfield, California areas. The majority of the Northern California and Northern Nevada homesites are near completion.

Southern California Properties: The Company has 640 homesites in six communities in Southern California, the majority of which are near completion. The Southern California Properties are located primarily in or around Riverside, California. These properties were sold during the Chapter 11 Cases (see Section IV.J.3.a below).

Arizona Properties: The Company has 113 homesites in three communities located in the Phoenix metropolitan area. The Arizona homesites are near completion.

New Jersey Properties: The Company has 234 homesites in two communities in New Jersey, one located in the Edison, New Jersey metropolitan area, and one located in the Ocean City, New Jersey metropolitan area. The New Jersey homesites are near completion. These properties were sold during the Chapter 11 Cases (see Section IV.J.2.b below).

Las Vegas Area Properties: The Company has 593 homesites in nine communities in the Las Vegas metropolitan area. The Las Vegas homesites are partially finished. Completion of the homesites will require, among other things, installation of street signs and markings, and minor paving and landscaping.

e. *Additional Property*

Kings Ridge Golf Club: The Kings Ridge Golf Club, located in Clermont, Florida—approximately 60 miles outside of Tampa, Florida—contains two 18-hole golf courses.

Lakes by the Bay: Lakes by the Bay, located in the Miami, Florida metropolitan area, consists of 256 homesites located in two condominium communities, known as "The Shores" and "The Cove," within the master planned "Isles at Bayshore" community. The Lakes by the Bay lots are complete, along with the majority of site work and infrastructure.

Sun City/Sunshine Village: Sun City/Sunshine Village is a master planned community located in South Hillsborough County, Florida. There are 1,104 homesites within Sunshine Village, along with 28 acres of commercial land. Although the preliminary plan of the community has been approved and the first phase of development is nearly complete, all remaining development work on Sun City/Sunshine Village has been put on hold.

Kingwood: The Company has one property, known as Royal Shores, which is the remaining neighborhood in the Kingwood Master Plan, adjacent to Lake Houston in Kingwood, Texas. The Kingwood properties consist of 72 substantially completed homesites and 54 partially developed future lots. This property would be sold to the Lennar Entities under the Plan.

f. *Equity Interests in Joint Ventures*

LandSource Communities owns an indirect equity interest in two joint ventures located in California: the LW Vineyard Point joint venture, located in Sacramento County, California, and the Placer Vineyards joint venture, located in Placer County, California. The LW Vineyard Point joint venture members, in addition to LandSource Communities, are Lennar Renaissance, LLC and Reynen & Bardis Communities, Inc. The Placer Vineyards joint venture is owned by Lennar Winncrest LLC, a joint venture between LandSource Communities, Winncrest Natomas II, LLC and Lennar California. The equity interest in the Placer Vineyards would be sold to the Lennar Entities under the Plan.

B. Prepetition Capital Structure

As of the Commencement Date, the Debtors had significant prepetition indebtedness, consisting primarily of amounts outstanding under first and second lien credit facilities, discussed in detail below. Specifically, as of the Commencement Date, the Debtors' secured indebtedness was comprised of the following:

Secured Debt	Principal Amount Outstanding as of the Commencement Date
First Lien Debt	$1,000,426,255[5]
Second Lien Debt	$244,000,000

In addition to the obligations described above, the Debtors have other debts and liabilities, including ordinary course payables and obligations under executory contracts and unexpired leases.

1. The First Lien Credit Agreement

As of the Commencement Date, certain of the Debtors were party to that certain First Lien Credit Agreement, dated February 27, 2007, by and among LandSource Holding as borrower, LandSource Communities, the lenders party thereto (collectively, the "First Lien Lenders"), and Barclays, as a lender and First Lien Agent (together with related agreements and documents, the "First Lien Credit Agreement"). Each of the Debtors, with the exception of Lennar Bressi Ranch Venture, LLC ("Lennar Bressi"),[6] is either a direct borrower under the First Lien Credit Agreement or a guarantor pursuant to either that certain First Lien LandSource Guaranty, dated February 27, 2007, or that certain First Lien Subsidiary Guaranty, dated February 27, 2007. The First Lien Credit Agreement provides for (i) certain revolving credit facilities, letters of credit and swingline facilities in the maximum aggregate amount of $200,000,000, maturing February 27, 2012; and (ii) a term loan facility in the amount of $1,106,000,000, maturing February 27, 2013. As of the Commencement Date, the aggregate outstanding principal amount owed under the First Lien Credit Agreement was approximately $1,000,426,255 (including approximately $30,738,945 of issued but undrawn letters of credit). In addition, prior to the Commencement Date the Debtors incurred certain obligations related to hedging requirements under the First Lien Credit Agreement that are *pari passu* with the other obligations under the First Lien Credit Agreement.

The obligations under the First Lien Credit Agreement are secured by liens on substantially all of the Debtors' personal and real property, including equity interests in certain Debtor and non-Debtor LandSource Group entities (collectively, the "Prepetition Collateral").

2. The Second Lien Credit Agreement

As of the Commencement Date, certain of the Debtors were party to that certain Second Lien Credit Agreement, dated February 27, 2007 (as amended, supplemented or otherwise modified from time to time, the "Second Lien Credit Agreement" and, together with the First Lien Credit Agreement, the "Prepetition Credit Agreements") by and among

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[5] Includes approximately $30,738,945 of issued but undrawn letters of credit.

[6] Lennar Bressi is not a party to either the First Lien Credit Agreement or the Second Lien Credit Agreement (defined below). The term "Prepetition Credit Parties" will be used to describe the Debtors that were party to these agreements and does not include Lennar Bressi.

LandSource Holding, as borrower, LandSource Communities, the lenders party thereto (collectively, the "Second Lien Lenders" and, together with the First Lien Lenders, the "Prepetition Lenders") and the Bank of New York, as successor Second Lien Administrative Agent.[7] The Second Lien Credit Agreement provides for a term loan facility in the maximum aggregate amount of $244,000,000. Each of the Prepetition Credit Parties is either a direct borrower under the Second Lien Credit Agreement or a guarantor pursuant to either that certain Second Lien LandSource Guaranty, dated February 27, 2007, or that certain Second Lien Subsidiary Guaranty, dated February 27, 2007. As of the Commencement Date, the aggregate outstanding principal amount owed under the Second Lien Credit Agreement was approximately $244,000,000.

The obligations under the Second Lien Credit Agreement are secured by a lien on the Prepetition Collateral that is junior in all respects to the lien granted to the First Lien Lenders to secure the obligations under the First Lien Credit Agreement.

In connection with the Prepetition Credit Agreements, the administrative agents thereunder entered into an Intercreditor Agreement, dated February 27, 2007, which governs their respective rights with respect to the Prepetition Collateral, among other things.

C. Events Leading to the Chapter 11 Cases

1. Market Conditions

The LandSource Group, like all other businesses in the homebuilding sector, was and continues to be severely impacted by the nationwide downturn in real estate markets. As stated in the First Day Declaration, demand for homes is sensitive to changes in economic conditions such as employment levels, consumer confidence, consumer income, access to credit and interest rates. In 2007, the mortgage lending industry experienced significant turmoil—related primarily to the subprime mortgage crisis—that resulted in a corresponding nationwide tightening of available credit for residential mortgages. Decreased access to credit made it increasingly difficult for borrowers to finance the purchase of homes and in turn drastically reduced the demand for the Debtors' residential lots. In the time leading up to the Commencement Date, demand from homebuilders for "ready-to-build" product dissipated and oversupply plagued the homebuilding sector. This excess supply led to downward pricing pressures not only with respect to residential homes, but also with respect to improved and unimproved land.

2. Defaults Under the Prepetition Credit Agreements

Borrowings under the Prepetition Credit Agreements were subject to a Borrowing Base Limitation (as that term is defined in the Prepetition Credit Agreements). Pursuant to the Borrowing Base Limitation, the Prepetition Credit Parties were required to limit aggregate credit exposure under the Prepetition Credit Agreements and certain related hedging agreements in

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[7] Prior to the appointment of Bank of New York as successor agent, Barclays served as the Second Lien Administrative Agent.

accordance with the appraised value of certain components of the Prepetition Collateral, among other things. In January 2008, it was determined that the Prepetition Credit Parties were out of compliance with the Borrowing Base Limitation under each of the Prepetition Credit Agreements. This failure to comply with the Borrowing Base Limitation triggered an obligation under the First Lien Credit Agreement to make mandatory prepayments to the First Lien Lenders.

3. Forbearance Agreements

Upon determination that the Prepetition Credit Parties had failed to comply with the Borrowing Base Limitation under the Prepetition Credit Agreements, the Prepetition Credit Parties and the First Lien Agent commenced discussions regarding possible terms on which the requirements to make prepayments related to the Borrowing Base Limitation and comply with certain related financial covenants could be extended and/or suspended. As a result of these discussions, the Prepetition Credit Parties and the First Lien Agent entered into a series of three forbearance agreements (the "First Lien Forbearance Agreements") which provided, among other things, for an extension of the mandatory prepayment deadline set forth in the First Lien Credit Agreement to April 16, 2008. Concurrently, recognizing that certain of the financial covenants under the Second Lien Credit Agreements were also at risk, the Prepetition Credit Parties and the Second Lien Administrative Agent entered into a forbearance agreement and amendment to the Second Lien Credit Agreement (the "Second Lien Forbearance Agreement" and, together with the First Lien Forbearance Agreements, the "Forbearance Agreements"). Upon expiration of the Forbearance Agreements, the parties were unable to reach agreement on the terms of either additional forbearance or a more comprehensive out-of-court restructuring plan. Accordingly, on April 21, 2008, the First Lien Agent issued a Notice of Event of Default and Reservation of Rights related to the Prepetition Credit Parties' failure to make the mandatory prepayments associated with the breach of the Borrowing Base Limitation. Similarly, on April 28, 2008, the Second Lien Agent issued a Notice of Event of Default and Reservation of Rights related to the Prepetition Credit Parties' failure to comply with the First Lien Credit Agreement.

D. Pending Litigation Against the Debtors

In the ordinary course of business, the Debtors are party to various lawsuits, legal proceedings, and claims arising out of their respective businesses. The Proponent cannot predict with certainty the outcome of these lawsuits, legal proceedings and claims. Nevertheless, the Proponent does not believe that the outcome of any currently existing proceeding, even if determined adversely, would have a material adverse effect on their businesses, financial condition, or results of operations.

With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Debtors that was or could have been commenced before the commencement of the Chapter 11 Cases. In addition, the Debtors' liability in respect of such litigation is subject to discharge in connection with the confirmation of a plan of reorganization, with certain exceptions. Therefore, certain litigation claims against the Debtors may be subject to compromise in connection with the Chapter 11 Cases. This may reduce the Debtors' exposure to losses in connection with the adverse determination of such litigation.

IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASES

A. Filing and First Day Orders

The Debtors commenced the Chapter 11 Cases on June 8, 2008 by filing with the Bankruptcy Court voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to section 1107(a) of the Bankruptcy Code. On June 10, 2008, the Bankruptcy Court approved certain orders designed to minimize the disruption to the Debtors' business operations and to facilitate an orderly process in the Chapter 11 Cases, including:

Joint Administration Order: This order authorized and directed the joint administration of the Chapter 11 Cases.

Business Operations: This consists of three orders that allowed the Debtors to (i) maintain existing bank accounts and business forms and continue to use existing cash management systems, (ii) provide adequate assurance to utility companies and establish procedures for determining additional adequate assurance, and (iii) continue to make payments on account of wages, compensation and employee benefits.

Financing Matters: The Bankruptcy Court authorized the Debtors to obtain postpetition financing under the DIP Credit Agreement on an interim basis, as discussed below in more detail. See Section IV.B below.

B. DIP Credit Agreement

Barclays and the Debtors engaged in extensive, arm's-length negotiations regarding debtor-in-possession financing that resulted in the execution of the DIP Credit Agreement. The DIP Credit Agreement refers to that certain Super-Priority Debtor-in-Possession First Lien Credit Agreement, dated as of June 16, 2008, by and among LandSource Holding, as borrower, LandSource Communities and the other Debtors, as guarantors, and the Administrative Agent, and all related agreements, as modified and approved by the Final DIP Order. The Bankruptcy Court approved debtor-in-possession financing on an interim basis pursuant to a preliminary DIP Credit Agreement on June 10, 2008. See Docket No. 30. After considering objections to the terms of the financing filed by the Committee, among others, the Bankruptcy Court denied final approval of the financing on its original terms. Following negotiations among Barclays, the Debtors, the Second Lien Administrative Agent and the Committee, which resulted in a form of consensual order approving the DIP Credit Agreement, the Bankruptcy Court entered the Final DIP Order on July 21, 2008. See Docket No. 306.

The DIP Credit Agreement generally provides for (i) a revolving credit facility (the "Revolver Facility") in the aggregate principal amount of $135,000,000 including (a) a letter of credit subfacility of up to $35,000,000, (b) a swingline facility of up to $10,000,000; and (ii) a term loan credit facility in the aggregate principal amount of up to $1,050,000,000. (the "Roll-Up Facility" together with the DIP Revolver, the "DIP Facilities"). The proceeds of the Revolver Facility are used by the Debtors for working capital and general corporate purposes and the administration of the Chapter 11 Cases. The proceeds of the Roll-Up Facility were used solely for the purpose of the "roll up" and deemed refinancing of all obligations due and owing

under the First Lien Credit Agreement as of the date of entry of the Final DIP Order. The DIP Credit Agreement matures on the earlier of (i) May 31, 2009, (ii) the effective date of the Plan, or (iii) such earlier date upon which the whole of the Aggregate Commitment (as defined in the DIP Credit Agreement) terminates pursuant to the terms of the DIP Credit Agreement or the outstanding principal amount of the DIP Facilities, all accrued and unpaid interest thereon, and all other obligations become due and payable as a result of the acceleration of maturity pursuant to the terms of the DIP Credit Agreement.

Pursuant to the Final DIP Order, obligations under the DIP Credit Agreement constitute superpriority claims against each of the Debtors and are secured by (i) a perfected first priority lien on all tangible and intangible property of the Debtors' respective estates that was not subject to valid liens as of the Commencement Date, and (ii) a perfected first priority priming lien on all collateral securing the obligations under the Prepetition Credit Agreements, with certain limited exceptions.[8]

Other salient provisions of the DIP Credit Agreement and/or the Final DIP Order include:

- Challenge Periods: In connection with the roll-up of obligations outstanding under the First Lien Credit Agreement, the Final DIP Order provides a limited period for the Debtors and any statutory committee to challenge (i) the roll-up of amounts in excess of $750,000,000 (the "Valuation Challenge Period"), (ii) the extent, validity, priority, perfection and enforceability of the liens securing the obligations under the First Lien Credit Agreement (the "Lien Challenge Period"), and (iii) all acknowledgements, releases of claims, admissions and confirmations of the Debtors provided in the Final DIP Order (the "Claims Release Challenge Period" and, together with the Valuation Challenge Period and the Lien Challenge Period, the "Challenge Periods"). Pursuant to the Final DIP Order, the Valuation Challenge Period expired ninety (90) days after the Commencement Date and the Lien and Claims Release Challenge Periods expired ninety (90) days after the appointment of the Committee. Pursuant to stipulations by and among the Administrative Agent, the Committee, the Second Lien Administrative Agent and the Debtors, the Challenge Periods have been extended from time to time. Pursuant to a stipulation (the "Fourth Standing Stipulation") among the Administrative Agent, the Committee, the Second Lien Administrative Agent and the Debtors, so ordered by the Bankruptcy Court on March 19, 2008, the Challenge Periods were extended to April 30, 2009, provided that prior to April 30, 2009 no party to the Fourth Standing Stipulation may make any additional informal or formal discovery requests with respect to any of the issues being

[8] The DIP Facility liens and superpriority claims do not encumber (collectively, the "Unencumbered Assets") (i) the Debtors' interest in Valencia Water Company; (ii) any avoidance actions under the Bankruptcy Code; or (iii) prepetition actions or claims of the Debtors that were not previously the subject of liens under the First Lien Credit Agreement and related documents, or would not be subject to a lien if the "after acquired property" clauses of these documents were given effect.

investigated during the Challenge Periods unless otherwise authorized by the Bankruptcy Court. See Docket No. 1352.

- Filing of Plan of Reorganization: The DIP Credit Agreement obligated the Debtors to file a chapter 11 plan and related disclosure statement on or prior to the later of (a) the 120th day after the Commencement Date and (b) the date on which the exclusive period to file a plan of reorganization under section 1121(b) of the Bankruptcy Code expired or was terminated in accordance with, and subject to, the limitations set forth in the DIP Credit Agreement. Further, under the DIP Credit Agreement, the Debtors were required to obtain an order of the Bankruptcy Court confirming a plan of reorganization by the 90th day after the date on which such plan and disclosure statement were filed and to consummate such plan by the 30th day after the date on which an order confirming such plan became final and non-appealable. Absent the consent of 100% of the lenders under the Revolver Facility and 50% of more of the total number and 66⅔% of the aggregate dollar amount of lenders under the Roll-Up Facility, no plan of reorganization may provide for the discharge of any obligations outstanding under the DIP Credit Agreement without providing for payment in full of such obligations. As discussed in Section IV.K of this Disclosure Statement, the Debtors did not file a plan of reorganization within these time periods and, as a result, the CROs (defined below) became the sole members of the Executive Committee.

- Extension of Exclusivity: Pursuant to the DIP Credit Agreement, the Debtors could not seek any extension of the exclusivity periods set forth in section 1121 of the Bankruptcy Code without the prior written consent of the Administrative Agent; provided, however, that the Debtors were entitled to seek one such extension of not more than sixty (60) days if (i) they presented in good faith a detailed proposal for a plan of reorganization that is supported by LandSource Holding and the Sponsors; (ii) LandSource Holding and other parties to the DIP Facility were negotiating in good faith with the Administrative Agent in respect of such proposal; and (iii) no event of default had occurred and was continuing under the DIP Credit Agreement as of the date that such motion was filed. Any such extension would have required written confirmation from the Administrative Agent that the foregoing conditions have been met. The Debtors did not meet the conditions for an extension of exclusivity under the DIP Credit Agreement. Accordingly, as discussed in Section IV.K of this Disclosure Statement, the Debtors' exclusivity period expired at 11:59 p.m. on October 6, 2008.

- Retention of Chief Restructuring Officer: The DIP Credit Agreement required the Debtors to file within twenty (20) days after the Commencement Date (or such later date as agreed to in writing by the Administrative Agent) a motion or application to retain a chief restructuring officer in connection with the management of the Debtors' affairs and businesses during the Chapter 11 Cases. As discussed in detail in Section IV.D below, Timothy Hogan and Lawrence Webb (the "CROs") have been retained as joint chief restructuring officers in these Chapter 11 Cases. Because the Debtors failed to (a) comply with the provisions in the DIP Credit Agreement governing the timing for filing and

consummating a plan of reorganization, or (b) file a motion, with the Administrative Agent's written consent, seeking an extension of the Debtors' exclusivity periods, consistent with the DIP Credit Agreement, the Executive Committee was reconstituted on October 7, 2008 such that it currently consists solely of the CROs (other than with respect to matters related to Valencia Water Company), as discussed in Section IV.D of this Disclosure Statement.

- Debtors' Use of Cash Collateral: Under the Final DIP Order, the Debtors were authorized to use the Prepetition Lenders' cash collateral, subject to the terms of the DIP Credit Agreement.

- Adequate Protection: As adequate protection for the use of cash collateral and priming of their liens, the First Lien Lenders were granted, *inter alia*, the following: (i) capitalization of accrued and unpaid interest and fees as of the date of entry of the Final DIP Order; (ii) a superpriority claim pursuant to section 507(b) of the Bankruptcy Code, subject to certain carve-outs; (iii) replacement liens to the extent of any diminution in the value of the Prepetition Collateral; (iv) the payment of reasonable fees and expenses of the First Lien Agent; and (v) the roll-up and deemed refinancing of the obligations under the First Lien Credit Agreement into the Roll-Up Facility. As adequate protection for the use of cash collateral and the priming of their liens, the Second Lien Lenders received, inter alia, the following: (i) a super-priority claim, junior to the First Lien Lenders' superpriority claim, pursuant to section 507(b) of the Bankruptcy Code to the extent of any diminution in value of the Second Lien Lenders' interest in the Prepetition Collateral; (ii) a lien on all assets encumbered pursuant to the DIP Credit Agreement, subject to the terms and priorities set forth in the Final DIP Order; (iii) payment of certain fees and expenses associated with professionals retained by the Second Lien Lenders and the Second Lien Administrative Agent; (iv) copies of all financial reports provided to the Administrative Agent; and (v) reasonable access to the collateral securing the DIP obligations and the Debtors' officers and financial advisors.

- Sharing/Turned-Over Distributions: The Final DIP Order[9] also provides a mechanism pursuant to which the unsatisfied portion of the Shortfall Claims, any deficiency claims of the First Lien Secured Parties and any deficiency claims of the Second Lien Secured Parties are shared, *pari pasu,* with each other and with allowed pre-petition non-priority unsecured claims. Specifically, 50% of any distributions made or value granted to the Term Loan Lenders and the First Lien Secured Parties on account of the Shortfall Claims shall be turned over (the "Turned-Over Distributions") for the benefit of Allowed non-priority Unsecured Claims (other than the Shortfall Claims and Allowed non-priority Second Lien Claims). The Turned-Over Distributions, however, are capped at the least of (i)

[9] Capitalized terms used in this paragraph but not otherwise defined herein or in the Plan shall have the meanings ascribed to such terms in the Final DIP Order.

the amount required to make the Recovery Quotient[10] with respect to Non-Lender Allowed Unsecured Claims equal 0.75; (ii) the amount required to make the total value of all distributions (including Turned-Over Distributions) received by the Holders of Non-Lender Allowed Unsecured Claims on account of such Claims equal $20,000,000; and (iii) the amount required to make the Recovery Quotient with respect to Non-Lender Allowed Unsecured Claims equal 85% of the Recovery Quotient with respect to the Term Loan Lenders and the First Lien Secured Parties based solely on distributions made on account of the Collateral.

C. Appointment of Creditors' Committee

On June 20, 2008, the U.S. Trustee, pursuant to its authority under section 1102 of the Bankruptcy Code, appointed the following member to the Committee, see Docket No. 78:

Briarwood Capital LLC;
Altfillisch Contractors, Inc.;
John Burgeson Contractors, Inc.;
Psomas & Associates;
Icon Constructors, Inc.;
J.T. Frankian & Associates, Inc.; and
Oakridge Landscape, Inc.

On January 7, 2009, the U.S. Trustee filed an amended notice of appointment of Committee members to reflect the resignation of Psomas & Associates from the Committee and the appointment to the Committee of Hunsaker & Associates (See Docket No. 1084).

The Committee retained Pachulski Stang Ziehl & Jones LLP as Committee counsel, XRoads Solution Group, LLC, Imperial Capital, LLC and FocalPoint Securities, LLC as co-financial advisors, and Bell Anderson & Sanders, LLC as appraisers.

D. Retention of HoganWebb LLC

Consistent with the provision of the DIP Credit Agreement requiring the Debtors to seek appointment of a chief restructuring officer, on July 30, 2008, the Debtors, with the consent of the Administrative Agent, filed an Application for an Order Authorizing the Debtors to Enter Into an Agreement with HoganWebb LLC to Provide Timothy P. Hogan and H. Lawrence Webb as Chief Restructuring Officers, *Nunc Pro Tunc* to July 1, 2008. See Docket No. 344. The Debtors selected HoganWebb LLC ("HoganWebb") upon determining, after an extensive search process, that its principals, Messrs. Hogan and Webb, both of whom are well-known to the Debtors' largest customers and others in the California homebuilding industry, possessed experience, contacts and market-specific knowledge that would substantially benefit the Debtors' Estates during the course of the Chapter 11 Cases. The Bankruptcy Court approved

[10] "Recovery Quotient" means, with respect to a claim, the quotient of (x) the value of all distributions received on account of such claim, divided by (y) the allowed amount of such claim.

the retention of HoganWebb by order entered on August 27, 2008 (the "CRO Order"). See Docket No. 503.

The CROs' services are divided into two phases, the "First Phase" and the "Second Phase," pursuant to the letter agreement governing their retention (as modified and approved by the CRO Order, the "CRO Agreement"). During the First Phase, the CROs performed customary services of CROs in similar chapter 11 cases. The Second Phase commenced as of October 7, 2008, upon the failure of the Debtors to file and/or consummate a plan of reorganization within the time limits set forth in the DIP Credit Agreement or to obtain an extension of those time periods in a manner consistent with the DIP Credit Agreement. Upon commencement of the Second Phase, as provided in the DIP Credit Agreement and the CRO Order, the CROs became the sole members of the Executive Committee, and the prior Executive Committee was divested of any rights or powers to participate in the management or control of the Debtors, other than with respect to Valencia Water Company.

E. Retention of Fee Auditor

Given that the size and complexity of the Chapter 11 Cases resulted in the filing of numerous applications for payment of professional fees and reimbursement of expenses, on January 6, 2009 the Bankruptcy Court entered an order (the "Fee Auditor Order") appointing Warren H. Smith & Associates as the fee auditor (the "Fee Auditor"), effective *nunc pro tunc* as of July 9, 2008, to act as special consultant to the Bankruptcy Court for professional fee and expense review and analysis. See Docket No. 1076. The Fee Auditor Order applies to (i) all professionals employed or to be employed in these Chapter 11 Cases; (ii) members of the Committee; and (iii) any claims for reimbursement of professional fees and expenses under section 503(b) of the Bankruptcy Code. The Fee Auditor Order does not apply to (i) fees earned by professionals that represent a percentage of a specified transaction; and (ii) fees relating to ordinary course professionals employed by the Debtors (up to the caps set forth in the Order Authorizing the Debtors to Employ Professionals Used in the Ordinary Course of Business (Docket No. 207)).

The Fee Auditor Order establishes uniform procedures for the review, allowance and payment of fees and expenses of applications to ensure compliance with section 330 of the Bankruptcy Code and other applicable rules and guidelines. The Fee Auditor is required to review quarterly interim and final fee applications filed by professionals in these Chapter 11 Cases and file reports with the Bankruptcy Court with respect to each quarterly fee application.

F. Retention of Professionals

1. The Debtors

The Debtors have retained a number of professionals in the Chapter 11 Cases, including:

- Weil, Gotshal & Manges LLP as bankruptcy counsel;
- Richard, Layton & Finger, P.A. as Delaware co-counsel;

- Lazard Freres & Co. LLC as financial advisors;
- Stirick and Company, Inc. as corporate communications consultants;
- Kurtzman Carson Consultants LLC as claims administrator and noticing agent;
- Bilzin Sumberg Baena Price & Axelrod LLP as special corporate counsel to represent the Debtors with regard to corporate and real estate transactions;
- Deloitte & Touche LLP as independent auditor and accountant; and
- Deloitte Tax LLP as tax accountants and tax service providers.

The Debtors have also retained several professionals to act as special litigation counsel in connection with ongoing litigation and/or environmental matters which are unrelated to the Chapter 11 Cases. These professionals include Downey Brand LLP, Gatzke Dillon & Balance, LLP, Mitchell Silberberg & Knupp, LLP and Paul Hastings Janofsky & Walker, LLP.

In addition, the Debtors have retained approximately thirty professionals as "ordinary course professionals," pursuant to a Final Order entered by the Bankruptcy Court on July 10, 2008. See Docket No. 207.

2. The Committee

The professionals retained by the Committee are discussed above in Section IV.C of this Disclosure Statement.

3. The Administrative Agent

The Administrative Agent retained Cadwalader, Wickersham & Taft LLP as bankruptcy counsel. Effective as of January 12, 2009, the Administrative Agent retained Greenberg Traurig LLP as successor bankruptcy counsel. The Administrative Agent also retained Young Conaway Stargatt & Taylor, LLP as Delaware co-counsel, and FTI Consulting Inc. as financial advisors.

4. The Second Lien Administrative Agent

The Second Lien Administrative Agent retained Paul Weiss Rifkind Wharton & Garrison LLP as bankruptcy counsel, Landis Rath & Cobb LLP as Delaware co-counsel and Houlihan Lokey & Zukin Capital, Inc. as financial advisors. The Final DIP Order imposes certain caps and restrictions on the compensation of the foregoing professionals. Pursuant to the Final DIP Order, the Second Lien Administrative Agent is also entitled to retain an appraiser, whose compensation will be subject to certain caps and restrictions, consistent with that order.

G. Claims Process and Bar Date

1. Schedules and Statements

On September 2, 3 and 4, 2008, each of the Debtors filed with the Bankruptcy Court its Schedules of Assets and Liabilities and Statement of Financial Affairs (collectively, the "Schedules"). On September 17, 2008, certain of the Debtors filed amended Schedules. Certain portions of the Schedules have been filed under seal pursuant to an order of the Bankruptcy Court dated October 10, 2008. See Docket No. 731.

2. Bar Date for Filing Proofs of Claim

By order dated September 9, 2008, the Bankruptcy Court set the deadline for all persons other than Governmental Units (as that term is defined in section 101(27) of the Bankruptcy Code) to file proofs of claim in the Chapter 11 Cases as November 14, 2008 at 5:00 p.m. (prevailing Pacific Time) (except as detailed in paragraph 17(f) of the Final DIP Order). The deadline for Governmental Units to file proofs of claim was established as December 5, 2008 at 5:00 p.m. (prevailing Pacific Time). The Debtors published notices of the bar dates in *The New York Times* and *The Los Angeles Times*.

The Debtors, with the assistance of their professionals, are reviewing the proofs of claim filed in these Chapter 11 Cases and have commenced the claims reconciliation process. In this regard, the following claims objections have been filed by the Debtors:

- First Omnibus Objection to Claims (Non-Substantive) - Claims Filed in the Wrong Case. See Docket No. 1168. On February 25, 2009, the Bankruptcy Court entered an Order granting the relief sought in the First Omnibus Claims Objection. See Docket No. 1286.

- Second Omnibus Objection to Claims (Non-Substantive) - (I) Claims Filed in the Wrong Case and (II) Duplicative Claims. See Docket No. 1170). On February 25, 2009, the Bankruptcy Court entered an Order granting the relief sought in the Second Omnibus Claims Objection. See Docket No. 1287.

- Third Omnibus Objection to Claims (Non-Substantive) - (I) Claims Filed in the Wrong Case, (II) Duplicative Claims, (III) Late Filed Claims, and (IV) Claims Lacking a Basis in the Debtors Books and Records. See Docket No. 1332. A hearing to consider the relief requested in the Third Omnibus Objection is currently scheduled for April 14, 2009.

H. Assumption and/or Rejection of Certain Executory Contracts

1. Assumed Executory Contracts

a. *PCL Construction Services*

On June 20, 2008, PCL Construction Services, Inc. ("PCL") filed a motion seeking to require the Debtors to assume or reject (i) that certain General Contractor Agreement between PCL and LNR-Lennar Washington Square, LLC ("Washington Square"), effective as of June 12, 2006 (the "PCL General Contractor Agreement"); and (ii) that certain Cost Plus Agreement between Owner and Contractor with a Guaranteed Maximum Price, dated as of February 28, 2007, between Washington Square and PCL (the "PCL Cost Plus Agreement" and, together with the PCL General Contractor Agreement, the "PCL Contracts"). See Docket No. 79. Under the PCL Contracts, Washington Square contracted for PCL to serve as general contractor for certain aspects of development of the Washington Square Properties, including construction related to the podium project and the high-rise tower, discussed above in Section III.A.4.d. Following negotiations between the Debtors and PCL, the Bankruptcy Court entered a consensual Order approving the assumption of the PCL Contracts on July 15, 2008. See Docket No. 265.

b. *Park West Landscape*

On July 10, 2008, Park West Landscape, Inc. ("Park West") filed a motion seeking to compel the Debtors to assume or reject that certain General Contractor Agreement (the "Park West Agreement") by and between Park West and Newhall, dated July 23, 2007. See Docket No. 212. Pursuant to the Park West Agreement, Park West provides certain landscaping, irrigation and related sitework services related to the development of Valencia. Following negotiations between the Debtors and Park West, on August 19, 2008, the Bankruptcy Court entered a consensual Order approving the assumption of the Park West Agreement. See Docket No. 452.

c. *California Department of Fish and Game*

On July 29, 2008, Newhall filed a motion seeking approval of the assumption of that certain Agreement for Contract Service between Newhall and the Department of Fish and Game, dated as of August 30, 2007 (the "Fish and Game Agreement"). See Docket No. 337. Under the Fish and Game Agreement, the California Department of Fish and Game agreed to provide, through June 30, 2010, one staff environmentalist scientist and one environmental scientist to assist with work generated under state regulatory programs, including section 1602 of the California Fish and Game Code and sections 15381 and 15386 of the California Environmental Quality Act in connection with the preparation of certain environmental statements associated with the development of Newhall Ranch. On August 19, 2008, the Bankruptcy Court entered an Order approving the assumption of the Fish and Game Agreement. See Docket No. 453.

d. *Oberg Contracting Corporation*

On August 1, 2008, Newhall filed a motion seeking approval of the assumption of that certain Subcontractor Agreement dated as of March 19, 2007, between Newhall and Oberg Contracting Corporation ("Oberg"). See Docket No. 358. Oberg provides subcontractor services related to the construction of a bridge over the Los Angeles Department of Water and Power Aqueduct ("DWP Bridge"). Construction of the DWP Bridge is integral to the completion of Valencia. On August 19, 2008, the Bankruptcy Court entered an Order approving the assumption of the Subcontractor Agreement. See Docket No. 451.

e. *Hart and Saugus School Districts*

On August 1, 2008, Newhall filed a motion seeking approval of the assumption of (i) those certain documents entered into by Newhall with the Saugus Union School District ("Saugus"), the Santa Clarita Valley County Sanitation District ("Sanitation") and the William S. Hart Union School District ("Hart") in connection with the Saugus Union School District Community Facilities District No. 2006-1 (West Creek/West Hills) (collectively, CFD No. 2006-1"); (ii) those certain documents entered into by Newhall with Saugus and Hart in connection with the Saugus Union School District Community Facilities District No. 2006-2 (River Village/Soledad Village) (collectively, "CFD No. 2006-2"); and (iii) those certain documents entered into by Newhall with the Saugus-Castaic School Facilities Financing Authority ("Saugus-Castaic"), Saugus, Hart and Sanitation in connection with the Saugus-Castaic School Facilities Financing Authority Community Facilities District No. 20061-C (Saugus-Castaic Portion of West Creek/West Hills) (collectively, "CFD No. 2006-1C" and, together with CFD No. 2006-1 and CFD No. 2006-2, the "Newhall CFDs"). See Docket No. 359. Newhall entered into the Newhall CFDs in connection with its development of Valencia and in order to mitigate the effects of new development by constructing, or financing the construction of, public facilities, including, but not limited to, sanitation and public education facilities. On August 18, 2008, the Bankruptcy Court entered an Order approving the assumption of the Newhall CFDs and related agreements. See Docket No. 445.

f. *Pier Pointe – Podium Condominiums*

On August 22, 2008, Washington Square and Southern Sun Construction Co., Inc. ("Southern") filed a motion seeking approval of the assumption of that certain Pier Point [sic] – Los Angeles, California Podium Condominiums Cost Plus Agreement Between Owner and Contractor with a Guaranteed Maximum Price, dated as of November 6, 2007, including the General Conditions to the Agreement of the same date (collectively, the "Pier Pointe Agreement") between Washington Square and Southern. See Docket No. 472. Under the Pier Pointe Agreement, Southern serves as one of two primary contractors responsible for the podium townhome component of the Washington Square project, discussed in more detail in Section III.A.4 of this Disclosure Statement. On September 9, 2008, the Bankruptcy Court entered an Order approving the assumption of the Pier Pointe Agreement. See Docket No. 593.

g. *Altfillisch*

On September 22, 2008, Newhall filed a motion seeking approval for assumption of that certain Master Grading Agreement between Newhall and Altfillisch Contractors, Inc. ("ACI"), dated as of July 14, 2006, and related subcontracts with ACI (collectively, the "Master Grading Agreement"). See Docket No. 668. Under the Master Grading Agreement, ACI provides Newhall with certain earth-moving equipment and equipment operating services, which Newhall has projected it will need in order to develop Newhall Ranch. On October 8, 2008, the Bankruptcy Court entered an Order approving the assumption of the Master Grading Agreement. See Docket No. 712.

h. *Downrite Engineering*

On September 22, 2008, Newhall filed a motion seeking approval for assumption of that certain Agreement between Owner and Contractor, dated January 18, 2007, between Newhall, a successor in interest to Lennar Land Partners, and Downrite Engineering ("Downrite"), including, by reference, the exhibits and Supplementary Conditions attached thereto, as well as that certain Standard General Conditions of the Construction Contract Form EJCDC No. 1910-8 (1996 Edition), and any drawings, specifications, and amending or supplementary documents related to the project (collectively, the "Downrite Contract"). See Docket No. 668. Pursuant to the Downrite Contract, Downrite performs certain paving, grading, earthwork, drainage, water, sewer and utility crossings work in connection with construction of the clubhouse in the Lakes By the Bay project, discussed in Section III.A.4.e of this Disclosure Statement. On October 8, 2008, the Bankruptcy Court entered an Order approving the assumption of the Downrite Contract. See Docket No. 713.

i. *GE Capital Commercial*

On October 20, 2008, GE Capital Commercial Inc. ("GECCI") filed a motion (the "GECCI Motion") for entry of an order (i) compelling post-petition payments pursuant to a lease; (ii) granting an administrative expense claim; (iii) compelling immediate assumption or rejection of lease; and (iv) granting other relief as necessary related to certain golf equipment leased by Newhall in connection with the Tournament Player's Club. See Docket No. 770.

On December 9, 2008 the Bankruptcy Court entered an Order approving a stipulation (the "GECCI Stipulation") between the Debtors and GECCI resolving the GECCI Motion. See Docket No. 967. Pursuant to the GECCI Stipulation, the Debtors agreed to make certain outstanding rent payments and to make scheduled monthly payments for the life of the lease (i.e. until termination or rejection of the lease or a determination that the lease is not a "true lease"). If the Debtors default on any payments under the GECCI Stipulation, GECCI is entitled to an administrative expense claim for such missed payments and may seek other appropriate relief from the Bankruptcy Court. The Debtors and GECCI reserved their rights with respect to GECCI''s request (i) for payment of an administrative claim and (ii) assumption, assignment or rejection of GECCI's lease.

j. *Treadwell & Rollo, Inc.*

On December 12, 2008, Lennar Mare Island, LLC filed a motion seeking approval for assumption of the following two agreements between Treadwell & Rollo, Inc. and Lennar Mare Island, LLC: (i) General Agreement for Consulting Services, dated as of December 20, 2007; and (ii) General Agreement for Consulting Services, dated as of February 14, 2008 (together, the Treadwell Agreements"). On January 8, 2009, the Bankruptcy Court entered an Order approving the assumption of the Treadwell Agreements. See Docket No. 1100.

k. *Isles at Bayshore Master Association, Inc.*

On January 16, 2009, LandSource Holding Company, LLC filed a motion seeking approval for assumption of a ground lease (the "Ground Lease") with Isles at Bayshore Master Association, Inc. See Docket No. 1136. On February 2, 2009, the Bankruptcy Court entered an Order approving the assumption of the Ground Lease. See Docket No. 1214.

l. *National City Commercial Capital Company*

On October 16, 2008, National City Golf Finance, a division of National City Commercial Capital Company, LLC, successor by merger to National City Commercial Corporation ("National City"), filed a motion (as amended, the "National City Motion") seeking to compel Newhall to assume or reject an unexpired lease (the "National City Lease") or, in the alternative, relief from the automatic stay with respect to certain golf equipment used at the Tournament Player's Club at Valencia. See Docket Nos. 755 and 793. Pursuant to the National City Lease, Newhall and National City entered into Rental Schedule Nos. 74431000 (the "First Lease Schedule") and 74971000 (the "Second Lease Schedule") for the rental of and right to purchase certain equipment. On October 29, 2008, Newhall objected to the National City Motion on the grounds that the arrangement with National City is not a true lease, but is in fact a financing. See Docket No. 807. The Administrative Agent filed a joinder to Newhall's objection on October 29, 2008. See Docket No. 804.

On March 5, 2009, the Bankruptcy Court approved a stipulation (the "National City Stipulation") resolving the National City Motion. See Docket No. 1311. The National City Stipulation provides (i) for the First Lease Schedule to be treated as an unexpired lease; (ii) that National City shall have an allowed administrative claim in the amount of $58,978.11, the amount due under the First Lease Schedule; (iii) that Newhall shall pay National City $31,579.32 within ten (10) days of entry of the National City Stipulation and an additional $31,579.32 on or before March 30, 2009 in full satisfaction of the amounts owing under the First Lease Schedule; (iv) for Newhall to resume making payments under the First Lease Schedule; (v) that nothing in the National City Stipulation constitutes an assumption of the First Lease Schedule; (vi) that the Second Lease Schedule shall be treated as a "financing lease" not subject to the provisions of section 365 of the Bankruptcy Code; and (vii) that National City shall have an allowed unsecured claim in Newhall's chapter 11 case in the amount of $30,382.50.

2. Rejected Executory Contracts

a. *Whitney National Bank*

On September 19, 2008, Whitney National Bank ("Whitney") filed a motion seeking (i) to compel the Debtors to assume or reject that certain Subordination Agreement by and between Lennar Land Partners a/k/a LandSource Holding Company, LLC, Forest Brooke/Hillsborough, LLC and Whitney (the "Whitney Subordination Agreement"), and (ii) relief from the automatic stay to allow Whitney to foreclose upon an asserted mortgage on property in Florida on which the Debtors hold a second mortgage. See Docket No. 656. Pursuant to a stipulation by and between Whitney and the Debtors, the Debtors rejected the Whitney Subordination Agreement, and Whitney was granted relief from the automatic stay for the purpose of exercising applicable state law remedies related to its asserted mortgage. Whitney and the Debtors reserved all rights regarding the effect of the rejection, and regarding the exercise of state law remedies by Whitney. See Docket No. 728.

b. *Right of First Opportunity Agreement*

On December 8, 2008, the Bankruptcy Court entered an Order approving a stipulation between Landsource Communities Development, Inc. and Lennar California terminating that certain Residential Right of First Opportunity Agreement, dated as of February 27, 2007, pursuant to which Lennar California had a right of first refusal with respect to the sale of any residential property owned by the Debtor or its subsidiaries not otherwise subject to an option agreement or purchase agreement as of February 27, 2007. See Docket No. 958.

3. Pending Motions

a. *West Valley Right of First Refusal Agreement*

On September 22, 2008, LandSource Holding filed a motion (the "ROFR Motion") seeking authority to reject that certain Right of First Refusal Agreement, entered into on or about February 22, 2005, between West Valley, LLC and LandSource Holding as successor in interest to MW Housing Partners III, L.P., governing units 1, 3, 4, 5A, 6, 7 and 18 of certain partially developed or undeveloped real property located on approximately 983 acres in the county of El Dorado, California. See Docket No. 667. On October 22, 2008, West Valley filed an objection to the ROFR Motion. See Docket No. 781. A hearing to consider the relief requested in the ROFR Motion was held on March 18, 2008. The Bankruptcy Court has not yet ruled on the ROFR Motion.

b. *Wine Central LLC*

On December 19, 2008, Wine Central LLC ("Wine Central") filed a motion for entry of an order (a) compelling Lennar Mare Island, LLC to assume a lease of real property relating to a 240,000 square foot wine storage warehouse located on Mare Island, or alternatively (b) compelling rejection of the lease and granting relief from the automatic stay to allow Wine Central to enforce and establish certain terms of the rejected lease. See Docket No. 1032. On January 5, 2009, Lennar Mare Island, LLC filed its objection to the Motion, See Docket No. 1069, and on January 7, Wine Central responded to such objection. See Docket No. 1082. On

February 20, 2009, the parties filed a Stipulation of Facts, See Docket No. 1275, in anticipation of the hearing to be held on February 24, 2009 to consider the relief requested in the Motion. On February 24, 2009, the Bankruptcy Court heard arguments on the Motion. The Bankruptcy Court has not yet ruled on the Motion.

c. *CIT Group/Equipment Finance, Inc.*

On February 28, 2009, The CIT Group/Equipment Finance, Inc. ("CIT") filed a motion (the "CIT Motion") for allowance and payment of an administrative expense claim the amount of $28,215.95 on account of the Debtors' use of 75 golf carts leased to Kings Ridge Golf Corporation and/or King Ridge Golf Course under a Master Lease agreement (the "CIT Lease") or, alternatively, to compel assumption or rejection of the CIT Lease. See Docket No. 1181. No responses or objection to the CIT Motion has been filed. A hearing to consider the relief requested in the CIT Motion is currently scheduled for April 14, 2009.

I. Mechanics' Liens

Pursuant to the DIP Credit Agreement, liens securing the DIP Facilities prime all pre-existing liens on the DIP Loan Collateral other than "Permitted Liens," which include (i) liens in favor of the Administrative Agent with respect to obligations under the DIP Credit Agreement; (ii) valid, enforceable, perfected and non-avoidable prepetition liens that were perfected prior to the Commencement Date or subsequent to the Commencement Date in accordance with section 546(b) of the Bankruptcy Code (other than Primed Liens, as that term is defined in the DIP Credit Agreement), in an aggregate amount not to exceed $18,000,000 at any time during the first thirty (30) days after the Commencement Date, $15,000,000 at any time during the subsequent thirty (30) day period thereafter, and $12,000,000 at any time thereafter; (iii) valid and enforceable, perfected and non-avoidable liens arising prepetition with respect to non-delinquent tax obligations; and (iv) any other liens expressly characterized as Permitted Liens in the Final DIP Order. Any valid, perfected and enforceable prepetition lien that was either perfected prior to the Commencement Date or subsequent to the Commencement Date in accordance with section 546(b) of the Bankruptcy Code will not be considered a Permitted Lien to the extent that the holder of that lien was provided adequate notice of the Final DIP Order and did not file an objection or other responsive pleading with the Bankruptcy Court objecting to the priming of its lien.

Liens explicitly designated as Permitted Liens in the Final DIP Order include certain mechanics' liens asserted in connection with the provision of prepetition services to the Debtors. Specifically, pursuant to the Final DIP Order, mechanics' liens asserted by approximately eighteen parties are considered "Permitted Liens" to the extent they are determined to be valid, enforceable, perfected and non-avoidable. Similarly, various parties to date have alleged mechanics' liens that may or may not be Permitted Liens under the DIP Credit Agreement by virtue of the fact that the lienholder in question allegedly did not receive notice of the Final DIP Order and is the holder of a lien that allegedly was either validly perfected prior to the Commencement Date or perfected subsequent to the Commencement Date pursuant to section 546(b) of the Bankruptcy Code. The Proponent intends to review each of these alleged Permitted Liens to determine the validity and priority of such alleged Permitted Liens.

J. Asset Dispositions

1. Approved Asset Sales

During the course of these Chapter 11 Cases, the Debtors have received Bankruptcy Court approval to sell certain assets free and clear of all liens, claims and encumbrances, pursuant to section 363(f) of the Bankruptcy Code. Specifically, on September 9 2008, the Bankruptcy Court approved the Debtors' request to sell to Lennar California two properties in the Debtors' Southern California portfolio—nine homesites in the Gables community and nine homesites in the Meriwether Community—for a purchase price of $4,709,632. See Docket No. 592. On October 10, 2008, the Bankruptcy Court approved the Debtors' request to enter into purchase and sale agreements with certain homebuilders and transfer property in the Kingwood development to such homebuilders in accordance with these agreements. See Docket No. 732.

2. Global Bidding Procedures for Non-Core Assets

The Debtors have also been actively marketing certain of the land bank properties, described above in Section III.A.4 of this Disclosure Statement. Accordingly on November 19, 2008, the Debtors filed a motion (the "Bidding Procedures Motion") for an order (i) approving standard bidding procedures for the sale of real property free and clear of liens, claims and interests; (ii) authorizing the Debtors to enter into stalking horse agreements containing a reasonable break-up fee; (iii) approving the form of notice for each of the auctions and sale hearings; and (iv) approving procedures for the cure, assumption and assignment of contracts. See Docket No. 883. The Bankruptcy Court approved the Bidding Procedures Motion (the "Bidding Procedures Order") on December 9, 2008. See Docket No. 971.

The Bidding Procedures Order provides generally for (i) the negotiation and entry into by the Debtors, in consultation with the Administrative Agent, the Second Lien Administrative Agent and the Committee, of a purchase agreement for each property with a stalking horse bidder subject to higher and better offers received through a bidding process and auction, (ii) the Debtors' payment of a reasonable break-up fee, in consultation with the Administrative Agent, the Second Lien Administrative Agent and the Committee, in connection with each stalking horse agreement, (iii) standardized notice and auction procedures to facilitate a public auction process for each property, and (iv) standard procedures for curing, assuming and assigning contracts related to the properties.

The following assets have been sold in accordance with procedures establish under the Bidding Procedures Order:

a. *Washington Square Property*

LNR-Lennar Washington Square, LLC and Dulce View (Los Angeles) entered into a Stalking Horse Agreement, dated January 14, 2009, for the sale of real property located in Los Angeles County, California, commonly know as Washington Square, as more particularly described in the Stalking Horse Agreement. On January 21, 2009, the period to object to the Stalking Horse Agreement expired, without objection, and the selection of Dulce View (Los Angeles) as stalking horse bidder was deemed approved pursuant to the terms of the Bidding

Procedures Order. The sale of Washington Square remained subject to competing offers from any prospective bidder in accordance with the Bidding Procedures Order.

On January 30, 2009, the deadline to submit competing bids on the Washington Square property expired with no qualified bidders having submitted a competing offer for the property. Accordingly, Dulce View (Los Angeles) emerged as the successful bidder under the terms of the Bidding Procedures Order to purchase the Washington Square property for $45,000,000 together with the assumption and assignment of certain contracts and leases. On February 25, 2009, the Bankruptcy Court entered an Order approving the sale of the Washington Square property to Dulce View (Los Angeles). See Docket No. 1288.

b. *Greenbriar Falls I-II and Greenbriar at Cape May*

LandSource Holding Company, LLC and Seaboard Development, LLC entered into a Stalking Horse Agreement, dated January 7, 2009, for the sale of real property located in the State of New Jersey, commonly know as Greenbriar Falls I-II and Greenbriar at Cape May, as more particularly described in the Stalking Horse Agreement. On January 14, 2009, the period to object to the Stalking Horse Agreement expired, without objection, and the selection of Seaboard Development, LLC as stalking horse bidder was deemed approved pursuant to the terms of the Bidding Procedures Order. The sale of Greenbriar Falls I-II and Greenbriar at Cape May remained subject to competing offers from any prospective bidder in accordance with the Bidding Procedures Order.

On February 12, 2009, LandSource held an auction for the sale of Greenbriar Falls I-II and Greenbriar at Cape May and selected Richard Annuziata and Conifer Realty, LLC as the bidders with the highest and best offers for Greenbriar Falls I-II and Greenbriar at Cape May, respectively. On February 25, 2009, the Bankruptcy Court entered Orders approving the sale of Greenbriar Falls I-II to Richard Annuziata for $8,000,000 and Greenbriar at Cape May to Conifer Realty, LLC for $2,910,000. See Docket Nos. 1289, 1290.

3. Pending Asset Sales

a. *The Southern California Properties*

LandSource Holding Company, LLC and Lamar 2000 Holding Corporation entered into a Stalking Horse Agreement, dated March 2, 2009, for the sale of certain real property located in the State of California, commonly know as Harveston 1 - Barrington, Harveston 2 - Consolidated, McSweeney, Palm Spring Classic, The Bridges at Jefferson, Indian Palms, and Vista Escondida (collectively, the "Southern California Properties"), as more particularly described in the Stalking Horse Agreement. The proposed purchase price for the Southern California Properties is $8,810,000, plus the assumption of certain liabilities and agreements. The Stalking Horse Agreement provides for a $212,700 break-up fee and expense reimbursement up to $53,175. On March 9, 2009, the period to object to the Stalking Horse Agreement expired, without objection, and the selection of Lamar 2000 Holding Corporation as stalking horse bidder was deemed approved pursuant to the terms of the Bidding Procedures Order.

The sale of the Southern California Properties remains subject to competing offers from prospective bidders in accordance with the terms of the Bidding Procedures Order. The minimum bid amount required to bid on the Southern California Properties is $9,250,000, which bids are due no later than March 27, 2009 at 4:00 p.m. (NY Time). If one or more competing bids are received by the Debtors prior to the March 27, 2009, 4:00 p.m. (NY Time) bid deadline, the Debtors will conduct an auction on April 2, 2009 at 9:00 a.m. (California Time) at the Los Angeles offices of Paul, Hastings, Janofsky & Walker. Following the auction, the Debtors will request that the Bankruptcy Court enter an order approving the sale of the Southern California Properties and authorizing the sale free and clear of liens, claims, encumbrances and other interests pursuant to section 363(f) of the Bankruptcy Code to the successful bidder.

4. Required Transfers

The Debtors are required, pursuant to the terms of certain entitlements and other agreements with public entities, to dedicate certain parcels of land to local governmental entities and agencies. To date, the Debtors have accordingly sought Bankruptcy Court approval of the following transfers, free and clear of all liens, claims and other encumbrances, along with certain ancillary agreements related thereto.

a. *Transfer of Parcel to Fire Protection District of L.A. County*

On November 19, 2008, Newhall filed a motion (the "Fire Station Transfer Motion") for authority to enter into a mitigation agreement (the "Mitigation Agreement") with the Fire Protection District of Los Angeles County (the "Fire District") pursuant to which Newhall will (i) transfer a 1.27 acre lot located in the West Creek development in Valencia, California (the "Dedication Parcel") to the Fire District free and clear of certain liens, claims and interests; and (ii) receive development fee credits in the amount of approximately $1,560,000. See Docket No. 884. A number of objections were filed to the proposed transfer by alleged holders of mechanics' liens on the Dedication Parcel, as well as by the Committee, on the ground that the Debtors failed to provide adequate protection for the objectors' interests in the Dedication Parcel. See Docket Nos. 917, 919, 922, 923, 925, 928, 931, 935 and 938. On February 10, 2009, the Bankruptcy Court entered an Order (the "Fire District Order") authorizing Newhall to enter into the Mitigation Agreement. The Fire District Order also directs Newhall to (i) make certain distributions to parties holding liens on the Dedication Parcel; (ii) reserve additional amounts on its books and records for potential payment of certain other potential liens on the Dedication Parcel; and (iii) institute actions to determine the extent, validity and priority of such potential liens. Where a lien has been asserted against both the Dedication Parcel and other property, the terms of the Fire District Order does not affect or impair the extent, validity or priority of the lien asserted as to property other than the Dedication Parcel.

On March 11, 2008, Newhall (the "Plaintiff") commenced Adversary Proceeding No. 09-50434 (KJC) by filing a Complaint (the "Complaint") against Fenceworks, Inc.; d/b/a Golden State Fence Company (the "Defendant"), seeking a declaration the Defendant did not hold valid liens on or have any interest in the Dedication Parcel. The Defendant previously objected to the Fire Station Transfer Motion and asserted approximately $142,000 in mechanic's

liens on the Dedication Parcel. The deadline for the Defendant to file its answer to the Complaint is April 10, 2009. A pre-trial conference is currently scheduled for May 19, 2009.

b. *Transfer to City of Vallejo*

On November 19, 2008, Lennar Mare Island filed a motion for authority to dedicate approximately 4.3 acres of land commonly known as Alden Park and Chapel Park, including St. Peter's Chapel, (the "Dedication Parcels") to the City of Vallejo free and clear of all liens, claims and interests. See Docket No. 886. Two objections were filed to the proposed transfer—one by alleged holders of mechanic's liens on the Dedication Parcels and the other by the Committee—on the ground that the Debtors failed to provide adequate protection for the objectors' interests in the Dedication Parcels. See Docket Nos. 920, 936. After hearing arguments at the December 9, 2008 omnibus hearing, the Bankruptcy Court has continued this matter to the omnibus hearing scheduled for March 18, 2009.

K. Expiration of Debtors' Exclusivity

The Debtors' exclusive period to file a plan of reorganization pursuant to section 1121 of the Bankruptcy Code expired as of October 7, 2008. As discussed above, under both the DIP Credit Agreement and the CRO Order, the Debtors' failure to file a plan of reorganization within the exclusive period or to request an extension of the exclusive period in a manner consistent with the DIP Credit Agreement resulted in the reconstitution of the Executive Committee—effective October 7, 2008—such that the CROs are currently the sole members thereof, except with respect to matters related to the Valencia Water Company.

L. Filing of the Lender Plan

Shortly after the expiration of the Debtors' exclusive period to file a plan of reorganization, the Administrative Agent filed the Joint Chapter 11 Plans for LandSource Communities Development LLC and its Affiliated Debtors Proposed by Barclays Bank PLC, as Administrative Agent for the First Lien Prepetition and Postpetition Credit Agreements (the "Lender Plan"). The Lender Plan provided, in general, for the sale of the Debtors' assets, free and clear of all claims, liens, encumbrances or other liabilities, pursuant to an auction, with the proceeds of such sale to be distributed to Claimants in accordance with the Lender Plan. The Plan amends and supersedes the Lender Plan.

M. Valencia Water Company

Valencia Water Company is a water company that provides water to many end-users in the Santa Clarita Valley. Valencia Water Company was incorporated in 1954 and, on October 5, 1965, the California Public Utilities Commission ("PUC") granted Valencia Water Company a certificate of public convenience and necessity to operate as a public water utility. Valencia Water Company has its own employees, officers and Board of Directors. Valencia Water Company is wholly owned by Newhall, which in turn is owned by NWHL GP LLC and LandSource Holding Company, LLC, which in turn is owned by LandSource Communities Development LLC.

On March 2, 2009, Castaic Lake Water Agency ("CLWA") issued to Valencia Water Company (i) a Notice of Public Hearing Regarding Adoption of Resolution of Necessity Authorizing Condemnation of Valencia Water Company's Real and Personal, Tangible and Intangible Property in Castaic Lake Water Agency's Jurisdictional Boundaries, and (ii) an Offer to Purchase Valencia Water Company's Real and Personal, Tangible and Intangible Property in Castaic Lake Water Agency's Jurisdictional Boundaries. By issuing these documents to Valencia Water Company, CLWA commenced the process by which it may acquire Valencia Water Company's assets by eminent domain. A special board meeting of CLWA was scheduled for March 18, 2009 with respect to the Public Hearing referenced in (i) above. On March 17, 2009, CLWA issued a deferral to April 1, 2009 of the Special Meeting and Public Hearing to consider its potential adoption of a Resolution of Necessity for condemnation of the assets of Valencia Water Company by CLWA.

V. THE PLAN OF REORGANIZATION

A. Classification and Treatment of Claims and Interests

1. Unclassified Claims

Other than expressly provided in the Plan, as provided in section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Fee Claims, Priority Tax Claims, and DIP Revolver Loan Claims shall not be classified for purposes of voting or receiving Distributions under the Plan. Rather, all such claims shall be treated separately as unclassified Claims pursuant to Article IV of the Plan.

a. *Administrative Expense Claims*

Administrative Expense Claims are any Claims, (other than a Fee Claim or DIP Revolver Loan Claim) for payment of costs or expenses of administration specified in sections 503(b) and 507(a)(2) of the Bankruptcy Code including, without express or implied limitation: (i) any actual and necessary costs and expenses incurred on and after the Commencement Date of preserving the Estates and operating the business of the Debtors (such as wages, salaries or commissions for services rendered); (ii) any Allowed Claims for reclamation of goods pursuant to section 546(c) of the Bankruptcy Code; (iii) any fees and charges assessed against the Estates pursuant to section 1930 of title 28 of the United States Code; and (iv) any fees, costs and expenses incurred, including by the Debtors or the Administrative Agent and their respective professionals and other advisors, in administering the provisions of this Plan prior to the Effective Date.

All Administrative Expense Claims shall be treated as follows:

- Time for Filing Administrative Expense Claims. Unless a Final Order of the Bankruptcy Court entered prior to the Effective Date establishes an earlier date with respect to such Claim or Allows such Claim (and no portion of such Claim remains Disputed as of the Effective Date), each Holder of an Administrative Expense Claim must file with the Bankruptcy Court and serve on the Debtors or the Reorganized Debtors, as applicable, and counsel to same, a Proof of Claim

with respect to such Administrative Expense Claim so that such Proof of Claim is actually received by each such party on or prior to the Administrative Expense Bar Date. Such Proof of Claim must include, at a minimum, (a) the name and full mailing address (at which notices and payment may be accepted) of the Holder of the Claim, (b) the asserted amount of the Claim, and (c) the basis for the Claim. Failure to file and serve such Proof of Claim timely and properly shall result in the Administrative Expense Claim being forever barred and discharged; provided, however, that an Administrative Expense Claim representing a liability incurred in the ordinary course of business by the Debtors may be paid in the ordinary course of the Debtors' business.

- Allowance of Administrative Expense Claims. An Administrative Expense Claim with respect to which a Proof of Claim has been properly filed and served pursuant to Article IV.A.1 of the Plan shall become an Allowed Administrative Expense Claim, in the Allowed Amount, (a) one hundred and eighty (180) days after the Administrative Expense Bar Date if no objection to such Claim is filed with the Bankruptcy Court within such one hundred and eighty (180) day period, unless such date is extended by agreement of the Reorganized Debtors and applicable Holder of an Administrative Expense Claim, or (b) if an objection is filed within such one hundred and eighty (180) day period (and is not withdrawn), only to the extent allowed by Final Order of the Bankruptcy Court.

- Payment of Allowed Administrative Expense Claims. Except to the extent a Holder of an Administrative Expense Claim agrees to less favorable treatment, each Holder of an Allowed Administrative Expense Claim shall receive the Allowed Amount of such Claim in one Cash payment on the first Distribution Date after such Claim becomes Allowed as provided in Article IV.A.2 of the Plan.

b. *Fee Claims*

Fee Claims are Claims for compensation or reimbursement of expenses, pursuant to sections 327, 328, 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), 503(b)(5) or 1103 of the Bankruptcy Code, incurred with respect to the Chapter 11 Cases.

All Fee Claims shall be treated as follows:

- Time for Filing Fee Claims. Except as provided in the Final DIP Order, and unless a Final Order of the Bankruptcy Court entered prior to the Effective Date establishes an earlier date with respect to such Claim or Allows such Claim (and no portion of such Claim remains Disputed as of the Effective Date), each professional Person who holds or asserts a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court and serve on all parties required to receive notice of filings in the Chapter 11 Cases a Fee Application within sixty (60) days after the Effective Date. The failure to file and serve such Fee Application timely and properly shall result in the Fee Claim being forever barred and discharged. To the extent necessary to give effect to Article IV.B of the Plan, entry of the Confirmation Order shall amend and supersede any

previously entered order of the Bankruptcy Court regarding procedures for the payment of Fee Claims, other than the Final DIP Order.

- Allowance of Fee Claims. A Fee Claim, with respect to which a Fee Application has been properly filed and served pursuant to Article IV.B.1 of the Plan, shall become an Allowed Fee Claim only to the extent allowed by Final Order of the Bankruptcy Court, and shall be paid in accordance with such Final Order.

c. *Priority Tax Claims*

Priority Tax Claims are any Claims entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.

All Priority Tax Claims shall be treated as follows:

- Each Holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Debtors, with the consent of the Proponent, or the Reorganized Debtors, as applicable, (a) the Allowed Amount of such Claim in one Cash payment on the Distribution Date; (b) the Allowed Amount of such Claim *plus* interest accrued at the Mid-Term AFR Rate (compounding annually), in equal annual cash payments on each anniversary of the Effective Date, until the last anniversary of the Effective Date that precedes the fifth (5th) anniversary of the Commencement Date; or (c) such other treatment as may be agreed upon in writing by the Debtors or the Reorganized Debtors, as applicable, and such Holder.

d. *DIP Revolver Loan Claims*

DIP Revolver Loan Claims are all Claims of and obligations owing to the lenders with respect to the Revolver Facility provided for in the DIP Credit Agreement. The DIP Revolver Loan Claims are Allowed pursuant to the Plan. The Administrative Agent shall act as Paying Agent for the DIP Revolver Loan Claims.

All DIP Revolver Loan Claims shall be treated as follows:

- Except to the extent the Holders of the DIP Revolver Loan Claims agree to a different treatment, the Administrative Agent, for the benefit of each Holder of a DIP Revolver Loan Claim, shall be paid the aggregate Allowed Amount of the DIP Revolver Loan Claims in full in Cash on the Distribution Date.

2. Classified Claims and Interests

For purposes of organization, voting and all confirmation matters, except as otherwise provided in the Plan, all Claims (other than unclassified Claims) and all Interests are classified as follows:

- Class 1: Priority Non-Tax Claims
- Class 2: First Lien Secured Claims

- Class 3: Senior Permitted Lien Claims
- Class 4: Unsecured Claims
- Class 5: Convenience Class Claims
- Class 6: LandSource Communities Interests
- Class 7: Intercompany Interests

a. *Class 1: Priority Non-Tax Claims*

Priority Non-Tax Claims are any Claims (other than Administrative Expense Claims, Fee Claims, DIP Revolver Loan Claims, First Lien Secured Claims or Priority Tax Claims) that are entitled to priority pursuant to section 507(a) of the Bankruptcy Code.

All Priority Non-Tax Claims shall be treated as follows:

- Treatment: Except to the extent a Holder of a Priority Non-Tax Claim agrees to less favorable treatment, each Holder of an Allowed Priority Non-Tax Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.
- Status: Class 1 is not Impaired. The Holders of the Claims in Class 1 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

b. *Class 2: First Lien Secured Claims*

First Lien Secured Claims are any Secured Claims of and obligations owing to the lenders with respect to the Roll-Up Facility in such amount, to be determined at or before the Confirmation Hearing, equal to the value of the DIP Loan Collateral.

- Treatment: Each Holder of a First Lien Secured Claim shall: (a) receive its Pro Rata Share of the First Lien Claim Equity Interests; (b) be paid its Pro Rata Share of the proceeds of the LNR Excess G&A Claims in excess of such amount agreed to by the Administrative Agent and Lennar; and (c) receive the right to participate in the Rights Offering. All Distributions to be made to Holders of First Lien Secured Claims pursuant to Article V.B of the Plan shall be made to the Administrative Agent for the benefit of such Holders. Each Holder of a First Lien Secured Claim receiving a First Lien Claim Equity Interest will be subject to the rights and obligations applicable to such Holder in the Reorganized LandSource LLC Agreement, including with respect to transfer restrictions set forth therein.
- Status - The Holders of Claims in Class 2 are entitled to vote to accept or reject this Plan.

c. *Class 3: Senior Permitted Lien Claims*

Senior Permitted Lien Claims are Secured Claims secured by a security interest, lien, mortgage or other encumbrance in or on some or all of the DIP Loan Collateral, but only to the extent such security interest, lien, mortgage or other encumbrance is of a priority senior to the security interest, lien, mortgage, or other encumbrance, as applicable, in or on such DIP Loan Collateral securing such Claims under the DIP Credit Agreement.

All Senior Permitted Lien Claims shall be treated as follows:

- Treatment: Except to the extent a Holder of a Senior Permitted Lien Claim agrees to less favorable treatment, each Holder of an Allowed Senior Permitted Lien Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.

- Status: Class 3 is not Impaired. The Holders of the Claims in Class 3 are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

d. *Class 4: Unsecured Claims*

Unsecured Claims are any Claims (or portion thereof) that is not an Administrative Expense Claim, a Fee Claim, a Priority Non-Tax Claim, a Priority Tax Claim, a Senior Permitted Lien Claim or a DIP Revolver Loan Claim.

Unsecured Claims shall be treated as follows:

- Treatment: Each Holder of an Allowed Unsecured Claim shall receive its Pro Rata Share of the Unencumbered Assets Distribution, subject to the Turned-Over Distribution. The Litigation Trustee shall hold those common units distributable to the Holders of Allowed Unsecured Claims (other than such common units distributed to the Holders of First Lien Deficiency Claims and Holders of Second Lien Claims) on account of the Unencumbered Assets Distribution, and the Litigation Trustee and each Holder of an Allowed Unsecured Claim shall be subject to the rights and obligations applicable to such Holder in the Reorganized LandSource LLC Agreement, including with respect to transfer restrictions set forth therein.

- Status: Class 4 is Impaired. The Holders of the Claims in Class 4 are entitled to vote to accept or reject the Plan.

e. *Class 5: Convenience Class Claims*

Convenience Class Claims are any Unsecured Claim that are not Second Lien Claims or Lennar Claims and the Allowed Amount of which (whether such Allowed Amount is determined under this Plan, by Final Order of the Bankruptcy Court, or by agreement with the Debtors or the Reorganized Debtors, as applicable, and approved by the Proponent) is (a) less than an amount to be determined by the Proponent or (b) is more than an amount to be

determined by the Proponent if the Holder of such Claim has agreed to reduce the amount of the Claim to an amount to be determined by the Proponent by making the Convenience Class Election on the ballot within the time fixed by the Bankruptcy Court for completing and returning such ballot. Without the prior written consent of the Debtors or the Reorganized Debtors, and approved by the Proponent, as applicable, no Claim may be subdivided into multiple Claims for purposes of receiving the treatment provided under this Plan to Holders of Allowed Convenience Class Claims. In the event a Holder of an Allowed Unsecured Claim against a Debtor also holds Allowed Unsecured Claims against other Debtors, such Claims shall be aggregated for purposes of determining whether each such Claim is a Convenience Class Claim.

All Convenience Class Claims shall be treated as follows:

- Treatment: Each Holder of an Allowed Convenience Class Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.

- Status: Class 5 is Impaired. The Holders of the Claims in Class 5 are entitled to vote to accept or reject the Plan.

f. *Class 6: LandSource Communities Interests*

Class 6 consists of all LandSource Communities Interests, other than Intercompany Interests, in the Debtors.

LandSource Communities Interests shall be treated as follows:

- Treatment: All LandSource Communities Interests in the Debtors shall be cancelled on the Effective Date, and the Holders of such cancelled LandSource Communities Interests shall not receive or retain any interest in the Debtors, the Reorganized Debtors, the Estates, the Estate Assets or other property or interests in property of the Debtors or the Reorganized Debtors on account of the LandSource Communities Interests, and shall not be entitled to any Distribution under this Plan on account of the LandSource Communities Interests.

- Status: Class 6 is Impaired. The Holders of the LandSource Communities Interests in Class 6 are deemed to reject the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

g. *Class 7: Intercompany Interests*

Class 7 consists of all Intercompany Interests in the Debtors.

Intercompany Interests shall be treated as follows:

- Treatment: The Holders of Intercompany Interests shall not receive any distribution under the Plan; however, at the option of the Reorganized Debtors, Intercompany Interests may be retained, and the legal, equitable, and contractual rights to which the

Holders of such Intercompany Interests are entitled may remain unaltered in order to implement the Plan as set forth in Article VIII of the Plan.

- Status: Class 7 is Impaired. The Holders of the Interests in Class 7 are deemed to reject the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

B. Claims and Distribution

1. Disputed Claims Reserve

Pursuant to the Plan, the Distribution Agent shall estimate, on or before the Distribution Date, the anticipated aggregate Allowed Amount of all Disputed Claims in such Class as of such date, and shall establish a Disputed Claims Reserve for such Class in an amount sufficient to make the Distributions to Holders of such Disputed Claims (to the extent such Disputed Claims are eventually Allowed at, in the aggregate, the amount estimated by the Reorganized Debtors) that would have been made to the Holders as of such date had the Claims been Allowed as of the Effective Date.

2. Distribution of Unclaimed Property

The Distribution Agent shall hold all Unclaimed Property (and all interest, dividends and other distributions thereon) for the benefit of the Holders of Claims entitled thereto under the terms of the Plan. At the end of one hundred and twenty (120) days following the date that any Cash or other property becomes Unclaimed Property, the Holder of the Allowed Claim theretofore entitled to such Unclaimed Property held pursuant to Article VII.B.1 of the Plan shall be deemed to have forfeited such property, whereupon all right, title and interest in and to such property shall be available for Distribution to all other Holders of Allowed Claims unless the Holder of an Allowed Claim entitled to Unclaimed Property makes a request in writing to the Distribution Agent for such property (which request must set forth the Distribution Address for such Holder) prior to the expiration of such period.

3. Distributions to Holders of Claims Generally

a. No Distribution in Excess of Allowed Amount of Claim. Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall receive, in respect of such Claim, Distributions under this Plan in excess of the Allowed Amount of such Claim. For the avoidance of doubt, nothing in Article VII.C.1 of the Plan shall affect or limit in any manner the Distributions and other transfers to be made to the Reorganized Debtors on or after the Effective Date pursuant to this Plan, or any issuances of securities or transfers of Cash or other property by the Reorganized Debtors to any Person.

b. Disputed Payments. If any dispute arises as to the identity of a Holder of an Allowed Claim that is to receive any Distribution, the Distribution Agent may, in lieu of making such Distribution to such Person, make such Distribution into an escrow account or otherwise hold such Distribution until the disposition thereof is determined by Final Order of the Bankruptcy Court or by written agreement among the

interested parties to such dispute, which written agreement is reasonably acceptable to the Reorganized Debtor.

c. Withholding Taxes. Any federal or state withholding taxes or other amounts required to be withheld under any applicable law shall be deducted and withheld from any Distributions made pursuant to the Plan. All Persons holding Claims shall be required to provide to the Distribution Agent any information necessary to effect the withholding of such taxes. Notwithstanding the foregoing, each Holder of an Allowed Claim that is to receive a Distribution hereunder shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit on account of such Distribution, including withholding tax obligations in respect of in-kind (non-cash) Distributions. Any party issuing an instrument or making an in-kind (non-cash) Distribution under this Plan has the right, but not the obligation, to refrain from making such Distribution until the Person to which the Distribution is to be made has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligation.

d. Timing of Distributions under The Plan. Payments and Distributions in respect of Allowed Claims under the Plan shall be made as provided in the Plan.

e. Distributions after the Effective Date. Distributions made after the Effective Date to Holders of Allowed Claims that are Disputed Claims as of the Effective Date shall be deemed to have been made on the Effective Date. No interest shall accrue or be payable on such Claims or any distributions.

f. Manner of Payments. Any payments to be made by the Distribution Agent pursuant to the Plan shall be made by checks drawn on accounts maintained by the Distribution Agent or its professionals, or by wire transfer if circumstances justify, at the option of the Distribution Agent.

4. Setoffs

Except as otherwise provided in the Plan, the Confirmation Order, or in an agreement approved by a Final Order of the Bankruptcy Court, the Debtors or Reorganized Debtors, as applicable, may, pursuant to applicable law (including section 553 of the Bankruptcy Code), set off against any Distribution amounts related to any Claim (other than a DIP Revolver Loan Claim or a First Lien Claim) before any Distribution is made on account of such Claim (other than a DIP Revolver Loan Claim or a First Lien Claim), any and all of the Claims (other than the Released Claims), rights and causes of action of any nature that the Debtors, the Estates or the Reorganized Debtors may hold against the Holder of such Claim; provided, however, that neither the failure to effect such a setoff, the allowance of any Claim hereunder, any other act or omission of the Debtors or the Distribution Agent, nor any provision of the Plan (other than Article X of the Plan) shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claims, rights and causes of action that the Debtors or the Reorganized Debtors may possess against such Holder. To the extent the Reorganized Debtors fail to set off against a Holder and seeks to collect a claim from such Holder after a Distribution to such

Holder has been made pursuant to this Plan, the Reorganized Debtors, if successful in asserting such claim, shall be entitled to full recovery on the claim against such Holder. Distributions made on account of the DIP Revolver Loan Claims and First Lien Claims shall not be subject to setoff or recoupment under any circumstances.

5. Control of Claims Resolution Process by Reorganized Debtors

After the Effective Date, the Reorganized Debtors shall have the power and sole authority to file and prosecute objections to, or negotiate, settle or otherwise resolve, any and all Disputed Claims in any Class (other than Disputed Class 4 Claims) in accordance with the objection procedures set forth in Article XI of the Plan, and the power and sole authority to institute all actions with respect to the Causes of Action (other than actions with respect to the Released Claims), and to prosecute or defend all appeals relating to such objections and Causes of Action on behalf of the Debtors or the Estates.

6. Distributions Under Twenty-Five Dollars

No Distributions of less than twenty-five dollars ($25.00) shall be made by the Distribution Agent to any Holder of an Allowed Claim unless a request therefor is made in writing to the Distribution Agent. If no request is made as provided in the preceding sentence, all such Distributions shall be treated as Unclaimed Property.

7. Fractional Distributions

Notwithstanding any other provision of the Plan to the contrary, Distributions of fractions of common units in Reorganized LandSource Communities shall not be made, and payments of fractions of dollars by the Reorganized Debtors shall not be required. Whenever any payment of distribution of a fraction of a dollar by the Reorganized Debtors or common units of Reorganized LandSource Communities under the Plan would be required, the actual payment or distribution will reflect a rounding of such fraction to the nearest whole dollar or number of common units of Reorganized LandSource Communities (up or down), with half dollars and half common units of Reorganized LandSource Communities being rounded down.

C. Means for Implementation of the Plan

1. Reorganized LandSource Communities

On the Effective Date, Reorganized LandSource Communities shall have no indebtedness for borrowed money and carry at least $105 million cash on its balance sheet after taking into account distributions under the Plan, the Rights Offering and the Lennar Equity Investment.

2. The Rights Offering.

Pursuant to the Rights Offering, each Rights Offering Participant as of the Voting Record Date will be offered Subscription Rights to purchase its Primary Allocable Units and Oversubscription Units of the Rights Offering Units pursuant to the Subscription Rights. The

price of the Rights Offering Units shall be the Subscription Purchase Price. Participation in the Rights Offering will be subject to the following procedures:

Exercise of Subscription Rights. In order to exercise the Subscription Rights, each Rights Offering Participant must: (a) return a duly completed and executed Subscription Form to the Subscription Agent so that such form is received by the Subscription Agent on or before the Subscription Expiration Date; and (b) pay an amount equal to the Subscription Purchase Price by wire transfer or bank or cashier's check so as to be received by the Subscription Agent on or before the Subscription Purchase Price Payment Date. If the Subscription Agent for any reason does not receive from a given Rights Offering Participant both a timely and duly completed Subscription Form and timely payment of such Holder's Subscription Purchase Price, such Rights Offering Participant will be deemed to have relinquished and waived its right to participate in the Rights Offering.

Oversubscription Rights. A Rights Offering Participant may subscribe for its Oversubscription Units if, and only if, it subscribes for all of its Primary Allocable Units. The amount of Rights Offering Units allocated to a Rights Offering Participant shall be finally determined by the Proponent based on the aggregate amount of Primary Allocable Units subscribed by all Rights Offering Participants and the amounts of the Distributions.

"Backstop" in Case of Undersubscription. In the event that the Rights Offering is undersubscribed, or if any Rights Offering Participant fails to timely pay all amounts due prior to the Subscription Purchase Price Payment Date, the entire amount of undersubscribed Rights Offering Units shall be purchased by the Backstop Parties.

Subscription Period. The Rights Offering will commence on the Mailing Deadline (as defined in the Disclosure Statement Order) and will end on the Subscription Expiration Date, subject to extension by the Proponent.

Cancellation. The Rights Offering is subject to cancellation partially or in its entirety upon consummation of a Cancellation Event prior to the Subscription Expiration Date.

Transfer of Subscription Rights; Election Irrevocable; Representations and Warranties. Absent the prior written consent of the Proponent, the Subscription Rights may not be sold, transferred, or assigned whether in connection with a sale, transfer, or assignment of the underlying First Lien Secured Claim. Once a Holder of Subscription Rights has properly exercised its Subscription Rights, such exercise shall be irrevocable, subject only to the occurrence of a Cancellation Event. Each Rights Offering Participant that has properly exercised its Subscription Rights represents and warrants that (a) to the extent applicable, it is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization, (b) it has the requisite power and authority to enter into, execute, and deliver the Subscription Form and to perform its obligations thereunder and has taken all necessary action required for the due authorization, execution, delivery, and performance thereunder, and (c) it agrees that the Subscription Form constitutes a valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including

principles of commercial reasonableness, good faith, and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

Distribution of Rights Offering Units. On, or as soon as practicable after the Effective Date, but subject to extension by the Proponent, the Distribution Agent shall distribute an acknowledgement of Reorganized LandSource Communities of the number of Rights Offering Units acquired by each Rights Offering Participant. The Rights Offering Units shall not be certificated.

Payment of the Subscription Purchase Price; No Interest. For Rights Offering Participants that exercise their Subscription Rights in conformity with Article VIII of the Plan, the Subscription Purchase Price will be deposited and held in one or more Subscription Accounts. The Subscription Accounts will be maintained by the Subscription Agent for the purpose of holding the money for administration of the Rights Offering until the Effective Date or such other later date, at the option of the Proponent. The Subscription Agent will not use such funds for any other purpose prior to such date and shall not encumber or permit such funds to be encumbered with any lien or similar encumbrance. No interest will be paid to parties exercising Subscription Rights on account of amounts paid in connection with such exercise; provided, however, that, (a) to the extent that any portion of the Subscription Purchase Price paid to the Subscription Agent is not used to purchase Rights Offering Units, the Subscription Agent will return such portion, and any interest accrued thereon, to the applicable Rights Offering Participant within ten (10) Business Days of a determination that such funds will not be used, and (b) if the Rights Offering has not been consummated by the Effective Date, the Subscription Agent will return any payments made pursuant to the Rights Offering, and any interest accrued thereon, to the applicable Rights Offering Participant within ten (10) Business Days thereafter.

Fractional Rights. No fractional amounts of Rights Offering Units will be issued. The number of units of Rights Offering Units available for purchase will be rounded down to the nearest unit.

Validity of Exercise of Subscription Rights. All questions concerning the timeliness, viability, form, and eligibility of any exercise of Subscription Rights shall be determined by the Proponent, whose good faith determinations absent manifest error shall be final and binding. the Proponent, in its sole discretion, reasonably exercised in good faith, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such times as it may determine, or reject the purported exercise of any Subscription Rights that does not comply with the provisions of the Rights Offering as set forth in the Plan. Subscription Forms shall be deemed not to have been received or accepted until all irregularities have been waived or corrected within such time as the Proponent determines in its sole discretion reasonably exercised in good faith. Neither the Proponent, the Debtors nor the Subscription Agent shall be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Forms or incur any liability for failure to give such notification. Notwithstanding anything to the contrary contained in the Plan, the Proponent reserves the right to modify the Rights Offering based on any adjustments to the amount of the Rights Offering and in order to comply with applicable law, including without limitation modifying the entities otherwise eligible to be Rights Offering Participants and/or the number of Rights Offering Units available to any Rights Offering Participant.

Use of Proceeds. The proceeds of the Rights Offering shall be used by the Reorganized Debtors to make distributions under the Plan and for general corporate purposes.

3. Lennar Equity Investment. Lennar shall make the Lennar Equity Investment in exchange for: (a) the Lennar Equity Interests; (b) the settlement and release of the Lennar Released Claims; and (c) transfer of title to the Lennar Acquired Assets.

4. Bonding Capacity. As of the Effective Date, Lennar will maintain the Existing Bonds for projects owned by the Debtors and in exchange for doing so, the Reorganized Debtors will (a) reimburse Lennar for actual bond premiums coming due and paid by Lennar after the Effective Date up to a maximum of 2% of total bonding capacity (taking into account the Future Bonds) and (b) indemnify Lennar on an unsecured basis for any draws under the Existing Bonds. After the Effective Date, Lennar will provide the Future Bonds as required by the Reorganized Debtors until the Reorganized Debtors are able to arrange its own bonds on an unsecured basis and comparable terms and pricing and, in exchange for doing so, the Reorganized Debtors shall (a) reimburse Lennar for actual bond premiums up to a maximum of 2% of total bonding capacity (taking into account the Existing Bonds) and (b) indemnify Lennar on an unsecured basis for any draws under the Future Bonds.

5. Lennar Asset Acquisition. Upon the Effective Date, Lennar or its designee shall take title to and possession of the Lennar Acquired Assets free and clear of all claims, liens, encumbrances and interests, except as otherwise provided in the Lennar Purchase Agreement. Pursuant to section 363(f) of the Bankruptcy Code and the Lennar Purchase Agreement, including any amendments thereto, the transfer of title to the Lennar Acquired Assets shall be free and clear of any Claim or Interest in or against the Lennar Acquired Assets. Except as otherwise expressly provided for in the Lennar Purchase Agreement, Lennar shall not have any liability or responsibility for any liability or other obligation of the Debtors arising under or related to the Lennar Acquired Assets. The Debtors and the Reorganized Debtors are hereby authorized to take all such actions and execute any agreements that shall be necessary to consummate and give effect to the Lennar Purchase Agreement without further order of the Court.

6. Reorganization of the Debtors

On the Effective Date, each of the Debtors shall be reorganized pursuant to the applicable governance, corporate and other documents to be included in the Plan Supplement. On the Effective Date, all right, title and interest in and to the Estate Assets of each Debtor, other than the Avoidance Actions, shall vest fully in the applicable Reorganized Debtor, free and clear of all claims, liens, encumbrances and other liabilities including, without express or implied limitation, Claims against or Interests in the Debtors. On the Effective Date, all ownership interests in the Debtors shall vest fully as provided in the Plan, and all ownership interests in each of the other Reorganized Debtors shall vest fully in the Reorganized Debtor or Debtors corresponding to the Debtor or Debtors that held such Debtor's ownership interests prior to the Effective Date (in each case, unless the Proponent directs otherwise), in each case free and clear of all claims, liens, encumbrances and other liabilities including, without express or implied limitation, Claims against or Interests in the Debtors. Notwithstanding that, pursuant to the Plan, the Debtors are being reorganized as described herein, such reorganization is intended to

facilitate the sale or other disposition of the Estate Assets in the time and manner determined by the Proponent.

7. Corporate (or Equivalent) Action

The entry of the Confirmation Order shall constitute authorization for the Debtors to take or cause to be taken all corporate, limited liability or other actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court. On the Effective Date, adoption by the Reorganized Debtors of their amended articles of incorporation, partnership agreements, operating agreements or other similar documents, as applicable, shall be deemed to have occurred. All such actions shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action by the partners, stockholders, administrators, agents, officers or directors of the Debtors. On the Effective Date, the Debtors and the Reorganized Debtors shall be authorized to execute and deliver the agreements, documents and instruments contemplated by the Plan in the name and on behalf of the Debtors and to take all necessary and appropriate actions to effectuate the transactions contemplated by the Plan. So long as not inconsistent with the terms of the Plan or the Confirmation Order, the Debtors and the Proponent shall be entitled to seek such orders as each deems necessary to carry out and further the intentions and purposes, and to give full effect to the provisions, of the Plan.

8. Other Documents and Actions

The Debtors and Reorganized Debtors are authorized to execute such documents and take such other actions as may be necessary to effectuate the transactions provided for in the Plan.

9. Operations Between the Confirmation Date and the Effective Date

The Debtors shall be authorized and entitled to operate their businesses and conduct their affairs as the Debtors believe to be necessary or appropriate and as necessary to implement the Plan.

10. Obligations Incurred After the Confirmation Date

Payment obligations incurred after the date and time of entry of the Confirmation Order, including without limitation, the Professional Fees of the Debtors (and of the Committee and its Professionals through the Effective Date) will not be subject to application or proof of claim and may be paid by the Debtors in the ordinary course of business and without further Bankruptcy Court approval.

11. Board of Managers of Reorganized Debtors

The Board of Managers of the Reorganized Debtors shall consist of those Persons designated by the Proponent with the detailed qualification of each such proposed Person to be disclosed in the Plan Supplement.

12. Management

From and after the Effective Date, the Reorganized Debtors shall be managed by Management Co. pursuant to the terms of the Management Agreement.

13. Conditions to Confirmation.

Prior to commencement of the Confirmation Hearing, the following amounts shall have been paid into an escrow account established by the Proponent:

(a) the Lennar Equity Investment;

(b) the proceeds of the Rights Offering; and

(c) the proceeds of the exercise of the Lennar Option, if applicable.

14. Conditions Precedent to the Effective Date

On or before the Effective Date, the following actions shall be undertaken and shall be deemed to have occurred simultaneously (and no such action shall be deemed to have occurred prior to the taking of any other such action), and all such actions shall be conditions precedent to the effectiveness of the Plan:

(a) Holders of the First Lien Secured Claims shall have been deemed to accept the Plan as provided in Article IV.B of the Plan.

(b) All payments and transfers to be made on the Effective Date shall be made or duly provided for, and the Debtors shall have sufficient Cash on such date to make such payments.

(c) The Bankruptcy Court shall have entered the Disclosure Statement Order and the Confirmation Order, each in form and substance consistent with this Plan and acceptable to the Proponent, and neither the Disclosure Statement Order nor the Confirmation Order shall have been reversed, modified or amended in any material respect prior to the Effective Date.

(d) The Lennar Equity Investment, the proceeds of the Rights Offering and the proceeds of the exercise of the Lennar Option, if applicable, shall be released from escrow.

(e) All licenses, permits and regulatory approvals necessary for the ownership and operation of the Debtors' Assets, to the extent issued prior to the Effective Date, shall have been assigned to, issued to, or obtained by the Reorganized Debtors for their benefit.

(f) The Confirmation Order shall:

(i) expressly approve the terms and provisions of this Plan, and find that they comply with section 1129 of the Bankruptcy Code;

(ii) find that all Holders of Claims and Interests, and all other parties in interest, were duly given notice of, and an opportunity to be heard in connection with, the

Chapter 11 Cases and this Plan, pursuant to and in satisfaction of the applicable provisions of the Bankruptcy Code;

(iii) set forth and approve the identity of the Litigation Trustee as trustee of the Litigation Trust;

(iv) set forth the Administrative Expense Bar Date and the Distribution Record Date;

(v) provide for transfer of the Estate Assets of the Debtors (other than the Avoidance Actions) to the respective Reorganized Debtors, and the ownership interests in each of the Reorganized Debtors, other than Reorganized LandSource Communities, to the applicable Reorganized Debtor or Debtors (in each case, unless the Proponent directs otherwise), as applicable, on the Effective Date, free and clear of all Claims, liens, interests, encumbrances and other liabilities including, without express or implied limitation, Claims against or Interests in the Debtors, to the full extent allowed pursuant to sections 105, 363, 1123, 1129 and 1141 of the Bankruptcy Code, except as otherwise provided in this Plan;

(vi) provide for the assumption on the Effective Date of the Effective Date Assumed Contracts in accordance with Article of the Plan.

(vii) provide for the rejection of all executory contracts and unexpired leases one hundred and eighty (180) days after the Effective Date (unless such deadline is extended by Final Order of the Bankruptcy Court), other than a contract or lease that (A) is expressly assumed by the Debtors or the Reorganized Debtors, as applicable, pursuant to a Final Order of the Bankruptcy Court entered prior to such date or is subject to a separate motion to assume pending before the Bankruptcy Court on such date, (B) is specifically designated by the Debtors as an Effective Date Assumed Contract, or (C) expires, terminates or otherwise becomes non-executory prior to such date;

(viii) provide for the allowance of the DIP Revolver Loan Claims, the First Lien Secured Claims and the Second Lien Claims in the Allowed Amounts provided herein;

(ix) authorize and direct holders of Claims or Interests in the Debtors to take or cause to be taken, on or prior to the Effective Date, all actions that are necessary to implement effectively the provisions of the Plan. Moreover, the Confirmation Order shall empower, authorize and direct the Debtors to consummate the transactions contemplated by the Plan on or after the Effective Date;

(x) provide that, upon the Effective Date, the Reorganized Debtors shall be vested with the rights and powers granted to the Debtors pursuant to section 1107(a) of the Bankruptcy Code with respect to the allowance, treatment or avoidance of liens, Claims or Interests that remain unresolved as of the Effective Date (other than Disputed Class 4 Claims);

(xi) provide that the Estate Assets shall be and remain free and clear of the liens, Claims, and Interests of any Person other than as provided in the Plan, and no

Person shall be permitted to execute against or receive Distributions except in accordance with the terms of the Confirmation Order and the Plan;

(xii) provide that all transfers of money or property by the Debtors or the Litigation Trust, or the issuance, transfer, release or exchange of a security, or the making or delivery of any instrument of transfer, including the transfer of the Estate Assets of the Debtors to the Reorganized Debtors and the issuance of equity of the Reorganized Debtors, are an integral part of the Plan and shall be deemed to be made under the Plan pursuant to section 1129 of the Bankruptcy Code, and that all appropriate taxing entities shall not impose any tax under any law imposing a stamp tax or similar tax based on the issuance, transfer, or exchange of a security, or the making or delivery of any instrument of transfer or release, as contemplated by the Plan, to the full extent allowed by section 1146(a) of the Bankruptcy Code;

(xiii) provide that entry of the Confirmation Order shall not have any res judicata or other preclusive effect with respect to any Causes of Action that are not specifically and expressly released by the terms of this Plan, the Confirmation Order or another Final Order of the Bankruptcy Court entered prior to the Confirmation Hearing (including, without express or implied limitation, the Final DIP Order), and that entry of the Confirmation Order shall not be deemed a bar to asserting such Causes of Action;

(xiv) provide that nothing in the Plan or the Confirmation Order shall modify the provisions of the Final DIP Order except as expressly provided for in this Plan (including as provided in any provision of this Plan that expressly modifies specific provisions of the Final DIP Order) or as expressly consented to by the Administrative Agent;

(xv) approve the releases provided in Article X of the Plan and cause each of the Debtors, on its own behalf and on behalf of its respective Estate, to deliver to each of the Releasees a release in substantially the form to be included in the Plan Supplement; and

(xvi) provide that the Lennar Acquired Assets shall be transferred, sold and assigned to the Lennar Entities free and clear of all Claims, liens, interests and encumbrances.

(xvii) The Effective Date occurs on or before May 31, 2009, unless extended by the Proponent.

15. Waiver of Conditions to Effectiveness

Other than the requirements set forth in subsections (1), (2) and (3) of Article VIII.N of the Plan, none of which may be waived, the requirement that a particular condition to the effectiveness of the Plan be satisfied may be waived in whole or part by the Proponent, without notice or a hearing. The failure to satisfy or waive any condition may be asserted by the Proponent regardless of the circumstances giving rise to the failure of such condition to be satisfied (including, without express or implied limitation, any act, action, failure to act or

inaction by the Debtors or the Proponent). The failure of the Debtors or the Proponent to assert the non satisfaction of any such conditions shall not be deemed a waiver of any other rights hereunder, and each such right shall be deemed an ongoing right that may be asserted or waived (as set forth herein) at any time or from time to time.

16. Effect of Nonoccurrence of Conditions to Effectiveness

If each of the conditions to consummation and the occurrence of the Effective Date has not been satisfied or duly waived on or before the date that is one hundred and eighty (180) days after the Confirmation Date, the Confirmation Order may be vacated by the Bankruptcy Court upon a motion filed by the Proponent. If the Confirmation Order is vacated pursuant to Article VIII.P of the Plan, the Plan shall be null and void in all respects, and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against or Interests in the Debtors, or (b) prejudice in any manner the rights of the Debtors or the Proponent.

17. Further Authorization

So long as not inconsistent with the terms of the Plan or the Confirmation Order, the Debtors and the Proponent shall be entitled to seek such orders as each deems necessary to carry out and further the intentions and purposes, and to give full effect to the provisions, of the Plan.

18. Deemed Consolidation for Voting and Distribution Purposes

Any Claim asserted against any of the Debtors or any of the Estates will be deemed to be a Claim asserted against the consolidated Debtors and Estates for voting and distribution purposes under the Plan, Holders of Claims shall be entitled to the Distributions provided for in the Plan without regard to which Debtor was liable (or is asserted to have been liable) for such Claim prior to the Effective Date, and all transfers, disbursements and Distributions made pursuant to the Plan by or on behalf of any of the Debtors will be deemed to be made by or on behalf of the consolidated Debtors. Accordingly, all guarantees by any of the Debtors of the obligations of any other Debtor will be deemed eliminated so that any Claim against any Debtor and any guarantee by any other Debtor of such Claim, and any joint or several liability of any other Debtor for such Claim, shall be deemed to be one (1) obligation of the consolidated Debtors for voting and distribution purposes under the Plan.

The deemed consolidation of the Debtors is for voting and distribution purposes only, and nothing provided for in this Plan shall (a) effect a merger of any assets of the Debtors or effect a merger of the Estates for purposes of the Plan, (b) affect the legal or corporate structure of any of the Debtors or (c) affect any guarantees that are to be maintained after the Effective Date (i) in connection with an executory contract or unexpired lease assumed by the Debtors (unless the non-Debtor party to such contract or lease agrees otherwise) or (ii) pursuant to the Plan, the Confirmation Order, another Final Order of the Bankruptcy Court or a written agreement between the applicable beneficiary of such guarantee and the Debtors, as applicable.

D. Litigation Trust

1. Establishment of Litigation Trust

On the Effective Date, the Litigation Trust shall be established pursuant to the Litigation Trust Agreement and other documents to be included in the Plan Supplement. On or after the Effective Date, the Avoidance Actions shall be transferred to, and shall fully vest in, the Litigation Trust, free and clear of all claims, liens, encumbrances and other liabilities, including all Claims against and Interests in the Debtors, with all Litigation Trust Proceeds to be distributed in accordance with the provisions of the Plan.

2. Prosecution of the Avoidance Actions

The Litigation Trust may commence adversary or other legal proceedings to pursue the Avoidance Actions to the extent not settled or resolved prior to the Effective Date or pursuant to the Plan. The Litigation Trust Proceeds recovered through any such proceeding shall be deposited in the Litigation Trust and be distributed in accordance with the provisions of the Plan.

3. Prosecution of Class 4 Claim Objections

The Litigation Trust shall have the sole authority to prosecute any objections to Disputed Class 4 Claim in accordance with Article XI of the Plan.

4. Investments of Cash

Except as otherwise provided in the Plan, all Cash held by the Litigation Trust shall be invested by the Litigation Trustee with sole and absolute discretion in only (a) direct obligations of, or obligations guaranteed by, the United States; (b) obligations of any agency or corporation which is or may hereafter be created by or pursuant to an act of the Congress of the United States, as an agency or instrumentality thereof; (c) AAA rated tax-free securities issued by municipalities or state governments or agencies; or (d) such other obligations or instruments as may from time to time be approved for such investments by Final Order of the Bankruptcy Court; provided, however, that the Litigation Trustee may, to the extent it deems necessary, deposit moneys in demand deposits (including money market funds) at any commercial bank, trust company or other financial institution organized under the laws of the United States or any state thereof which has, at the time of such deposit, a capital stock and surplus aggregating at least $500,000,000. The investment powers of the Litigation Trustee shall be limited to powers to invest in demand and time deposits, such as short-term certificates of deposit, in banks or other savings or financial institutions, or other temporary, liquid investments such as U.S. Treasury Bills. Such investments shall mature in such amounts and at such times as may be deemed necessary by the Litigation Trustee, with sole and absolute discretion, to provide funds when needed to make Distributions and payments as required by the Plan.

5. Litigation Trust Expenses

All Litigation Trust Expenses shall be charged against and paid from the proceeds of the Avoidance Actions, and the Litigation Trustee shall pay the same as and when due and

payable. Counsel and any other professionals retained by the Litigation Trust shall submit periodic statements for services rendered and costs incurred to the Proponent for review and approval. The Litigation Trustee shall have thirty (30) days to object to any such statement. In the event that any such objection is received by the relevant professional and cannot be promptly resolved by such professional and the Litigation Trustee, the dispute shall be submitted by the Litigation Trustee to the Bankruptcy Court for adjudication. The Bankruptcy Court shall retain jurisdiction to adjudicate any such objection. In the event that no objection is raised to a statement within the thirty (30) day period, such statement shall be promptly paid by the Litigation Trustee, subject to Article IX.E.1 of the Plan.

6. Limitation of Liability

No recourse shall ever be had, directly or indirectly, against the Litigation Trustee, its officers or directors, employees or professionals, by legal or equitable proceedings or by virtue of any statute or otherwise, or any deed of trust, mortgage, pledge or note, nor upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by the Litigation Trustee under this Plan or by reason of the creation of any indebtedness by the Litigation Trustee under this Plan for any purpose authorized by the Plan. All such liabilities, covenants, and agreements of the Litigation Trustee, its respective officers, directors, professionals, and employees, whether in writing or otherwise, under the Plan shall be enforceable only against, and shall be satisfied only out of, the assets of the Litigation Trust or such part thereof as shall, under the terms of any such agreement, be liable therefor, or shall be evidence only of a right of payment out of the income and proceeds of the assets of the Litigation Trust, as the case may be. Every undertaking, contract, covenant or agreement entered into in writing by the Litigation Trustee shall provide expressly against the personal liability of the Litigation Trustee.

The Litigation Trustee and its officers, employees and professionals shall not be liable for any act they may do, or omit to do hereunder in good faith and in the exercise of their respective best judgment, and the fact that such act or omission was advised, directed or approved by an attorney acting as counsel for the Litigation Trustee shall be conclusive evidence of such good faith and best judgment; provided, however, that Article IX.F.2 of the Plan shall not apply to any gross negligence or willful misconduct by the Litigation Trustee or its officers, employees or professionals.

7. Reliance on Documents

The Litigation Trustee may rely, and shall be protected in acting or refraining from acting, upon any certificates, opinions, statements, instruments or reports believed by it to be genuine and to have been signed or presented by the proper Person or Persons.

8. Requirement of Undertaking

The Litigation Trustee may request any court of competent jurisdiction to require, and any such court may in its discretion require, in any suit for the enforcement of any right or remedy under the Plan, or in any suit against the Litigation Trustee for any act taken or omitted by the Litigation Trustee, that the filing party litigant in such suit undertake to pay the costs of such suit, and such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant.

E. The Releases and Exculpation

1. Releases

Effective as of the Confirmation Date and except as otherwise provided in the Plan, the Reorganized Debtors and the Releasees shall be deemed to be forever released and discharged, from any and all Claims, obligations, suits, arbitrations, judgments, damages, rights, Causes of Action or liabilities whatsoever, whether for tort, fraud, contract, violations of federal or state securities laws, or otherwise, whether known or unknown, whether foreseen or unforeseen, existing or hereafter arising, held by any Person, based in whole or in part upon any act or omission, transaction, or other occurrence taking place on or before the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan, and/or which may have directly or indirectly impacted or affected in any way the value of any Claim or Distribution on a Claim against any of the Debtors. The Confirmation Order will enjoin the prosecution by any Person, whether directly, derivatively or otherwise, of any Claim, debt, right, cause of action or liability which was or could have been asserted against the Releasees. The Plan shall not release the obligations under the Plan.

For good and valuable consideration, upon confirmation of the Plan and except as otherwise provided in the Plan, the Debtors will release the Releasees from any and all Claims and Causes of Action, including, without limitation, Avoidance Actions, that the Debtors or their subsidiaries or Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or equity interest or other Person or entity, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence taking place on or before the Confirmation Date.

For good and valuable consideration, upon confirmation of the Plan, the Debtors will release the Lennar Entities from the Lennar Released Claims.

2. Exculpation

The Exculpated Persons shall not have or incur any liability to any Person for any act taken or omission made in good faith in connection with or in any way related to the Chapter 11 Cases, negotiating, prosecuting, administering, formulating, implementing, confirming or consummating the Plan, including all activities leading to the promulgation and confirmation of

the Plan, the Disclosure Statement (including any information provided or statement made in the Disclosure Statement or omitted therefrom), or any contract, instrument, release or other agreement or document created in connection with or related to the Plan or the administration of the Debtors or these Chapter 11 Cases. The Exculpated Persons shall have no liability to any creditor for actions taken in good faith under the Plan, in connection therewith or with respect thereto, including, without limitation, failure to obtain consummation of the Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions precedent to confirmation or to the occurrence of the Effective Date. The Exculpated Persons will not have or incur any liability to any Holder of a Claim or party-in-interest herein or any other Person for any act or omission in connection with or arising out of: (a) administration of the Plan, (b) the implementation of any of the transactions provided for, or contemplated in, the Plan, or (c) any action taken in connection with either the enforcement of the Debtors' rights against any Person or the defense of Claims asserted against the Debtors with regard to the Chapter 11 Cases, except for gross negligence or willful misconduct as finally determined by a Final Order. The Exculpated Persons are entitled to rely on, and act or refrain from acting on, all information provided by other Exculpated Persons without any duty to investigate the veracity or accuracy of such information.

F. Procedures for Resolving Disputed Claims

1. Objections to Claims

On and after the Effective Date, the Reorganized Debtors shall have the right to the exclusion of all others to make, file and prosecute objections to Disputed Claims (other than Disputed Class 4 Claims). The Reorganized Debtors or the Litigation Trust, as appropriate, shall conduct a review of the Schedules and all Proofs of Claim filed in the Chapter 11 Cases and, except as provided in Article IV.A.2 of the Plan, shall file objections to such Claims (if any) with the Clerk of the Bankruptcy Court not later than one hundred and eighty (180) days after the Effective Date, unless such deadline is extended by Final Order of the Bankruptcy Court; provided, however, that, notwithstanding anything to the contrary in this Article XI.A, the Reorganized Debtors or the Litigation Trust, as appropriate, may file objections to any Claim for damages arising from the rejection of an executory contract or unexpired lease pursuant to Article XIII.C of the Plan until the date that is sixty (60) days after a Proof of Claim with respect to such Claim is filed and served in accordance with Article XIII.C of the Plan. The Reorganized Debtors or the Litigation Trust, as appropriate, may compromise, settle or otherwise resolve the Allowed Amount of any Disputed Claim without further order of the Bankruptcy Court, and such compromise, settlement or other resolution shall constitute a Final Order of the Bankruptcy Court with respect to the allowance of and the Allowed Amount of such Claim for all purposes under the Plan.

2. Disputed Claims

No Distribution shall be made with respect to any Disputed Claim (or any portion of such claim) unless and until a Final Order allowing such Claim has been entered.

3. Subordination of Claims

Under the Plan, any Claim (other than the DIP Revolver Loan Claims and the First Lien Secured Claims) may be subordinated to other Claims pursuant to section 510 of the Bankruptcy Code. No Distributions shall be made in respect of a subordinated Claim until all Claims to which such Claim has been subordinated have been satisfied in full. Any action to subordinate a Claim shall be filed by the Reorganized Debtors, the Litigation Trust or another Person with standing to file such action, as appropriate, not later than one hundred and eighty (180) days after the Effective Date, unless such deadline is extended by Final Order of the Bankruptcy Court.

4. Estimation of Claims

The Debtors, Reorganized Debtors or Litigation Trust, as appropriate, may, at any time, request that the Bankruptcy Court estimate the Allowed Amount of any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors, Reorganized Debtors or Litigation Trust, as appropriate, previously had objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Disputed Claim at any time, including during litigation or another proceeding concerning any objection to such Disputed Claim.

5. No Distribution in Respect of Disallowed Claims

To the extent that a Disputed Claim is Disallowed in whole or in part, the Holder of such Claim shall not receive any Distribution on account of the portion of such Claim (including the whole, if applicable) that is Disallowed.

G. Effect of Confirmation

1. Release of Liens and Cancellation of Instruments

a. *Release of Liens on Estate Assets*

Unless a particular Claim is reinstated or left unaltered: (a) each Holder of a Secured Claim or a Claim that is purportedly secured by any or all of the Estate Assets shall, on or immediately prior to the Effective Date, (i) turn over and release to the Debtors any and all Estate Assets that secure or purportedly secure such Claim; and (ii) execute such documents and instruments as the Debtors, the Reorganized Debtors or the Proponent may require to evidence or record (with respect to any liens or security interests recorded in the public records) such Holder's release of such property and of all security interests and liens in and on such property; and (b) on the Effective Date all claims, right, title and interest in and to such property shall revert to the Debtors free and clear of all Claims, including (without express or implied limitation) liens, charges, pledges, encumbrances and/or security interests of any kind. All liens, charges, pledges, encumbrances and/or security interests of any kind of the Holders of such Claims in or on the Estate Assets shall be deemed to be canceled and released as of the Effective Date.

b. *Surrender of Securities*

Each Holder of a Claim not referenced in Article XII.A.1 of the Plan, and each Holder of an Interest (other than the Holder of a Claim or Interest that is to be reinstated pursuant to this Plan) shall surrender to the Debtors or the Reorganized Debtors, as applicable, any note, instrument, document, certificate, subordinated note, agreement, certificated security or other item evidencing such Claim or Interest. On the Effective Date all notes, instruments, documents, certificates, subordinated notes, agreements, certificated securities or other items described in Article XII.A.2 of the Plan shall be deemed to be void and of no further force or effect, regardless of whether such note, instrument, document, certificate, subordinated note, agreement, certificated security or other item has been surrendered in accordance with Article XII.A.2 of the Plan.

c. *Effect of Failure to Release Liens*

No Distribution under the Plan shall be made to or on behalf of any Holder of a Claim unless and until such Holder executes and delivers to the Debtors or the Reorganized Debtors, as applicable, such release and surrender of liens or other items described in Article XII.A of the Plan, or demonstrates the non availability of such items to the satisfaction of the Reorganized Debtors, including requiring such Holder to post a lost instrument or other indemnity bond, among other things, to hold the Reorganized Debtors harmless in respect of such lien, instrument or other item described in Article XII.A of the Plan and any Distributions made in respect thereof. The Reorganized Debtors may reasonably require the Holder of such Claim to hold the Reorganized Debtors harmless up to the amount of any Distribution made in respect of such unavailable note, instrument, document, certificate, subordinated note, agreement, certificated security or other item evidencing such Claim. Any such Holder that fails to execute and deliver such release of liens or other items described in Article XII.A of the Plan or satisfactorily explain their non-availability to the Reorganized Debtors within one hundred and eighty (180) days after the Effective Date shall be deemed to have no further Claim against the Debtors, the Reorganized Debtors or the Estates , or any of their respective property in respect of such Claim, and shall not participate in any Distribution hereunder, and the Distributions that would otherwise have been made to such Holder shall be treated as Unclaimed Property. To the extent any Holder of a Claim described in Article XII.A.1 of the Plan fails to release the relevant liens as described in such subsection and in Article XII.A.3 of the Plan, the Distribution Agent may act as attorney-in-fact, on behalf of such Holder, to provide any releases as may be required.

2. Revesting and Vesting; Retention and Enforcement of Claims

Except as otherwise provided in the Plan, on the Effective Date, all Estate Assets shall vest in the applicable Reorganized Debtor, free and clear of all claims, liens, charges, encumbrances and interests of Claim and Interest Holders.

3. Injunction

Except as otherwise expressly provided for in the Plan or the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including Bankruptcy

Code sections 524 and 1141 and provided that the Effective Date occurs, the entry of the Confirmation Order shall permanently enjoin all Persons that have held, currently hold or may hold a Claim or other debt or liability that is subject to the Plan from taking any of the following actions in respect of such Claim, debt or liability: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against either or both of the Debtors or the Reorganized Debtors; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order against either or both of the Debtors or the Reorganized Debtors; (c) creating, perfecting or enforcing in any manner directly or indirectly, any lien or encumbrance of any kind against either or both of the Debtors or the Reorganized Debtors; (d) asserting any setoff, offset, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to either or both of the Debtors or the Reorganized Debtors; and (e) proceeding in any manner in any place whatsoever, including employing any process, that does not conform to or comply with or is inconsistent with the provisions of the Plan.

4. Retention of Causes of Action/Reservation of Rights

Except as set forth in Article X.A of the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Debtors or the Reorganized Debtors may have or which the Reorganized Debtors may choose to assert on behalf of their respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (a) any and all Claims against any Person or entity, to the extent such Person or entity asserts a cross-claim, counterclaim and/or claim for setoff which seeks affirmative relief against the Debtors, the Reorganized Debtors, their officers, directors or representatives, and (b) the turnover of any property of the Estates.

5. Discharge of Claims and Interests

To the fullest extent permitted by applicable law (a) on the Confirmation Date, the Confirmation Order shall operate as a discharge under Bankruptcy Code section 1141(d)(1), and release of any and all Claims, debts (as such term is defined in Bankruptcy Code section 101(12)), liens, security interests and encumbrances of and against all property of each of the Debtors and their affiliates, and each of their former, current and future officers, directors, employees, consultants, agents, advisors, members, attorneys, accountants, financial advisors, other representatives and professionals, in their official and individual capacities (and such Persons shall have all of the benefits and protections set forth in Bankruptcy Code Section 1141(d)(1)) that arose before confirmation, including without limitation, any Claim of the kind specified in Bankruptcy Code sections 502(g), 502(h) or 502(i) and all principal and interest, whether accrued before, on or after the Commencement Date, regardless of whether (i) a Proof of Claim in respect of such Claim has been filed or deemed filed, (ii) such Claim has been Allowed pursuant to Bankruptcy Code section 502, or (iii) the Holder of such Claim has voted on the Plan or has voted to reject the Plan; and (b) from and after the Confirmation Date, (x) all Holders of Claims shall be barred and enjoined from asserting against the Persons entitled to such discharge pursuant to Article XII.E of the Plan any Claims, debt (as defined in Bankruptcy Code section 101(12)), liens, security interests and encumbrances of and against all property of

each of the Debtors and (y) the Debtors shall be fully and finally discharged of any liability or obligation on a Disallowed Claim. Except as otherwise specifically provided herein, nothing in the Plan shall be deemed to waive, limit or restrict in any manner the discharge granted upon confirmation of the Plan pursuant to Bankruptcy Code section 1141.

6. Terms of Injunction or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under Bankruptcy Code sections 105(a) or 362, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

H. Executory Contracts

1. Assumption of Certain Executory Contracts and Unexpired Leases

On the Effective Date, the Debtors shall assume the Effective Date Assumed Contracts. The Debtors shall include in the Plan Supplement a schedule of all Effective Date Assumed Contracts and, to the extent applicable, the proposed cure amounts with respect to each Effective Date Assumed Contract, all in form and substance acceptable to the Proponent. ANY NON-DEBTOR PARTY TO AN AGREEMENT LISTED ON THE SCHEDULE OF EFFECTIVE DATE ASSUMED CONTRACTS THAT WISHES TO OBJECT TO THE ASSUMPTION AND (IF APPLICABLE) ASSIGNMENT OF SUCH AGREEMENT OR TO THE PROPOSED CURE AMOUNT WITH RESPECT TO SUCH AGREEMENT AS SET FORTH ON THE SCHEDULE OF EFFECTIVE DATE ASSUMED CONTRACTS MUST FILE AN OBJECTION WITH THE BANKRUPTCY COURT NO LATER THAN FIFTEEN (15) DAYS PRIOR TO THE DATE OF COMMENCEMENT OF THE CONFIRMATION HEARING, AND MUST SERVE SUCH OBJECTION ON THE DEBTORS AND THE PROPONENT. IF SUCH NON-DEBTOR PARTY FAILS TO TIMELY FILE AND SERVE SUCH OBJECTION, SUCH PARTY SHALL BE DEEMED TO CONSENT TO THE ASSUMPTION AND (IF APPLICABLE) ASSIGNMENT OF SUCH AGREEMENT AND THE PROPOSED CURE AMOUNT (IF ANY) WITH RESPECT TO SUCH AGREEMENT, AND SUCH OBJECTION AND ANY ASSERTED RIGHT TO RECEIVE A CURE PAYMENT OTHER THAN THAT SET FORTH ON THE SCHEDULE OF EFFECTIVE DATE ASSUMED CONTRACTS (IF ANY) WILL BE WAIVED. THE DEBTORS OR THE PROPONENT MAY RESPOND TO ANY TIMELY FILED AND SERVED OBJECTION (IN WHICH CASE THE BANKRUPTCY COURT SHALL DECIDE SUCH OBJECTION AT THE CONFIRMATION HEARING OR SUCH OTHER TIME AS DETERMINED BY THE BANKRUPTCY COURT), OR THE DEBTORS, WITH THE WRITTEN CONSENT OF THE PROPONENT, MAY REMOVE THE PARTICULAR AGREEMENT FROM THE SCHEDULE OF EFFECTIVE DATE ASSUMED CONTRACTS (IN WHICH CASE THE AGREEMENT SHALL NO LONGER BE AN EFFECTIVE DATE ASSUMED CONTRACT). Cure amounts for Effective Date Assumed Contracts determined in accordance with Article XIII.A of the Plan shall be satisfied on the Distribution Date.

2. Assumption Conditioned upon Consummation of The Plan

The Plan seeks to cause the applicable Debtors and Reorganized Debtors to assume the Effective Date Assumed Contracts to the extent, and only to the extent, that such contracts or leases constitute executory contracts or unexpired leases. Additionally, unless the assumption, or assumption and assignment, of an Effective Date Assumed Contract is expressly approved by a Final Order of the Bankruptcy Court that provides otherwise, the assumption of each Effective Date Assumed Contract by the applicable Debtor or Reorganized Debtor are each expressly conditioned upon the occurrence of the Effective Date. If the Effective Date does not occur, assumption of the Effective Date Assumed Contracts as provided in this Plan will not be effective, and the Debtors will retain all of their rights under section 365 of the Bankruptcy Code with respect to such contracts and leases.

3. Rejection of Remaining Contracts and Unexpired Leases

Any and all of the Debtors' executory contracts and unexpired leases shall be deemed rejected as of the expiration of one hundred and eighty (180) days after the Effective Date (unless such deadline is extended by Final Order of the Bankruptcy Court), other than contracts and leases that (a) are expressly assumed by the Debtors or the Reorganized Debtors pursuant to a Final Order of the Bankruptcy Court entered prior to such date or are subject to a separate motion to assume pending before the Bankruptcy Court on such date, (b) are specifically designated by the Debtors as an Effective Date Assumed Contract pursuant to Article XIII.A of the Plan, or (c) expire, terminate or otherwise become non-executory prior to such date. Proofs of Claim with respect to any Claim for damages arising from the rejection of any executory contract or unexpired lease pursuant to Article XIII.C of the Plan must be filed with the Bankruptcy Court and served on the Reorganized Debtors within sixty (60) days following the expiration of such one hundred and eighty (180) day period (as extended by Final Order of the Bankruptcy Court); provided, however, that if such contract or lease was the subject of a separate motion to assume pending before the Bankruptcy Court on such date, then a Proof of Claim with respect to such Claim must be filed with the Bankruptcy Court and served on the Reorganized Debtors within sixty (60) days following the withdrawal of such motion or entry of a Final Order of the Bankruptcy Court denying such motion or deeming such contract or lease to have been rejected.

4. Treatment of Rejection Damage Claims

Any Claim for damages based upon the rejection of any executory contract or unexpired lease shall be treated as an Unsecured Claim and shall be classified in Class 4 or Class 5, as appropriate, and may be objected to in accordance with the provisions of Article XI of the Plan, and the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules. The failure to file a Proof of Claim with respect to a Claim for damages based upon the rejection of an executory contract or unexpired lease as provided in Article XIII.C of the Plan or a Final Order of the Bankruptcy Court specifically relating to such Claim shall forever bar and discharge such Claim.

I. Administrative Provisions

1. Retention of Jurisdiction.

The Bankruptcy Court shall retain post-confirmation jurisdiction over these Chapter 11 Cases including, without express or implied limitation, for the following purposes:

(a) To resolve any dispute or matter arising under or in connection with any order of the Bankruptcy Court entered in the Chapter 11 Cases, including disputes that arise between or among the Debtors, the Reorganized Debtors, the Proponent, Holders of Claims or Interests or other parties in interest.

(b) To adjudicate all claims or controversies arising out of any purchases, sales, contracts or undertakings by the Debtors during the pendency of the Chapter 11 Cases.

(c) To adjudicate any and all claims filed by any Person, including any of the current or former officers, directors, employees, agents, Interest Holders or controlling Persons of the Debtors, or other parties in interest, against the Debtors, the Reorganized Debtors, the Estates, the Litigation Trust, the Committee, the Proponent or any of their respective professionals, raised in connection with any and all post-petition claims or causes of action arising from or related to the Chapter 11 Cases, or against the Debtors or the Proponent or any of their respective professionals with respect to the Plan.

(d) To adjudicate all controversies and issues arising out of or relating to any adversary proceedings on the Bankruptcy Court's docket as of the Confirmation Date, or which are commenced after the Confirmation Date pursuant to the provisions of the Bankruptcy Code and the Plan, and including adversary proceedings with respect to any Claims or Interests, or any Causes of Action.

(e) To recover all assets and properties of the Debtors and the Estates, whether title is presently held in the name of the Debtors or a third party.

(f) To determine the allowability, classification, or priority of Claims upon objection by the Debtors, the Reorganized Debtors, the Proponent or any other party in interest entitled hereunder to file an objection (including the resolution of disputes regarding any Disputed Claims and claims for disputed Distributions), and the validity, extent, priority and avoidability of consensual and nonconsensual liens and other encumbrances, and to estimate the Allowed Amount of any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code.

(g) To issue injunctions or take such other actions or make such other orders as may be necessary or appropriate to restrain interference with the Plan or its execution or implementation by any Person, to construe and to take any other action to enforce and execute the Plan, the Confirmation Order or any order of the Bankruptcy Court, including the Bar Date Order and the injunctions contained therein, to issue such orders as may be necessary for the implementation, execution, performance and consummation of the Plan and all matters referred to herein, and to determine all matters that may be pending before the Bankruptcy Court in the Chapter 11 Cases on or before the Effective Date with respect to any Person.

(h) To protect the property of the Estates, the Debtors, and the Reorganized Debtors (and the subsidiaries and affiliates thereof) from claims against, or interference with, such property, including actions to quiet or otherwise clear title to such property or to resolve any dispute concerning liens, security interest or encumbrances in or on any property of the Estates.

(i) To determine any and all applications for allowance of Fee Claims.

(j) To determine any Priority Tax Claims, Priority Non-Tax Claims, Administrative Expense Claims or any other request for payment of Claims or expenses entitled to priority under section 507(a) of the Bankruptcy Code.

(k) To determine any and all motions related to the rejection, assumption or assignment of executory contracts or unexpired leases, to determine any motion to assume an executory contract or unexpired lease pursuant to Article XIII of the Plan or to resolve any disputes relating to the appropriate cure amount or other issues related to the assumption of executory contracts or unexpired leases in the Chapter 11 Cases.

(l) To determine all applications, motions, adversary proceedings, contested matters, actions, and any other litigated matters instituted in and prior to the closing of the Chapter 11 Cases, including any remands.

(m) To enter a Final Order or orders closing the Chapter 11 Cases.

(n) To modify this Plan under section 1127 of the Bankruptcy Code, remedy any defect, cure any omission, or reconcile any inconsistency in the Plan or the Confirmation Order so as to carry out its intent and purposes.

(o) To issue such orders in aid of consummation of this Plan and the Confirmation Order, notwithstanding any otherwise applicable non-bankruptcy law, with respect to any Person, to the fullest extent authorized by the Bankruptcy Code.

(p) To determine any tax liability pursuant to section 505 of the Bankruptcy Code.

(q) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated.

(r) To resolve any disputes concerning whether a Person had sufficient notice of the Chapter 11 Cases, any applicable Claims bar date (including the Bar Date, the Administrative Expense Bar Date, and any other Claims bar date provided in this Plan, the Confirmation Order, or any other Final Order of the Bankruptcy Court), the hearing to consider approval of the Disclosure Statement or the Confirmation Hearing, or for any other purpose.

(s) To authorize sales or transfers of assets, or issuances or transfers of securities, as necessary or desirable and to resolve objections, if any, to such sales, transfers or issuances.

(t) To resolve any disputes concerning any release of a non-Debtor hereunder or the injunction against acts, employment of process or actions against such non-Debtor arising hereunder.

(u) To approve any Distributions, or resolve objections thereto, under this Plan.

(v) To approve any Claims settlement entered into or offset exercised by the Debtors or the Reorganized Debtors.

(w) To determine such other matters, and for such other purposes, as may be provided in the Confirmation Order, or as may be authorized under the Bankruptcy Code.

2. **Failure of the Bankruptcy Court to Exercise Jurisdiction.**

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Cases, then Article XIV.A of the Plan shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

3. **Governing Law.**

Except to the extent the Bankruptcy Code, Bankruptcy Rules, Local Rules or other federal laws apply, the rights and obligations arising under this Plan shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of law.

4. **Amendments.**

(a) Preconfirmation Amendment. The Proponent, may modify this Plan at any time prior to the Confirmation Date; provided, however, that this Plan, as modified, and the Disclosure Statement pertaining thereto shall meet applicable Bankruptcy Code requirements.

(b) Post-Confirmation Amendment Not Requiring Resolicitation. After the Confirmation Date, with the approval of the Bankruptcy Court, the Proponent may modify this Plan to remedy any defect or omission or to reconcile any inconsistencies in this Plan or in the Confirmation Order as may be necessary to carry out the purposes and effects of this Plan, or in a manner that does not materially adversely affect the interests, rights, treatment or Distributions of any Class of Claims or Interests. Any waiver under Article VIII.O above shall not be considered to be a modification or amendment of this Plan.

(c) Post-Confirmation, Pre-Consummation Amendment Requiring Resolicitation. After the Confirmation Date and before substantial consummation of this Plan, the Proponent may modify this Plan in a manner that materially and adversely affects the interests, rights or treatment of, or Distributions to, one or more Classes of Claims or Interests, provided, however, that (a) this Plan, as modified, shall satisfy all applicable Bankruptcy Code

requirements; (b) the Proponent shall obtain Bankruptcy Court approval for such modification; (c) such modification shall be accepted by each Class of Claims or Interests adversely affected by such modification pursuant to the standards for acceptance set forth in Article VI above; and (d) the Proponent shall comply with section 1125 of the Bankruptcy Code with respect to the Plan as modified.

5. Modification, Revocation or Withdrawal of The Plan.

The Proponent, may modify, revoke or withdraw this Plan as the plan of reorganization for any Debtor (in which case the Proponent may proceed with confirmation and/or consummation of the Plan with respect to the other Debtors) or all of the Debtors at any time prior to the Confirmation Date or, if the Proponent is for any reason unable to consummate this Plan after the Confirmation Date, at any time prior to the Effective Date.

6. Exemption from Certain Transfer Taxes.

Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer or exchange of any securities, instruments or documents, (b) the creation of any other lien, mortgage, deed of trust or other security interest, or (c) the making or assignment of any lease or sublease or the making or delivery of any deed or other instrument of transfer under, pursuant to, in furtherance of or in connection with this Plan or the sale or transfer of any assets of the Debtors or the Estates (including the sale or transfer by the Reorganized Debtors of any assets that, prior to the Effective Date, constituted Estate Assets), and any deeds, bills of sale or assignments executed in connection with this Plan or the Confirmation Order, shall not be subject to any stamp tax, transfer tax, intangible tax, recording fee, or similar tax, charge or expense to the full extent provided for or allowed under section 1146(a) of the Bankruptcy Code.

7. Compromise of Controversies.

Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all claims and controversies resolved pursuant to the Plan, including, without express or implied limitation, all claims arising prior to the Commencement Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, by or against the Debtors, the Proponent, the Holders of Claims who vote to accept this Plan and various other Holders of Claims, arising out of, relating to or in connection with the business or affairs of or transactions with the Debtors, to the extent provided in this Plan. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises and settlements and all other compromises and settlements provided for in this Plan and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, the Estates, and all parties in interest, and are fair, equitable and within the range of reasonableness. The provisions of this Plan, including, without express or implied limitation, its release, injunction, exculpation and compromise provisions, are mutually dependent and non severable.

8. Insurance Preservation and Proceeds.

Nothing in the Plan shall diminish or impair the enforceability of any policies of insurance that may cover Claims against or Interests in the Estates, the Debtors or any related Person. Holders of Claims that are eligible to be satisfied, in whole or in part, through any such policy shall be obligated, as a condition to receiving any Distributions under this Plan, to seek recovery or assist the Debtors or the Reorganized Debtors in seeking recovery under such policies with regard to such Claims.

9. **Successors and Assigns.**

The rights, benefits, and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of such Person. For the purposes of the Plan, the Reorganized Debtors shall be the successor to the Debtors.

10. **Confirmation Order and Plan Control.**

To the extent that the Confirmation Order or the Plan is inconsistent with the Disclosure Statement or any agreement entered into between the Proponent and any party, the Plan controls the Disclosure Statement and any such agreement, and the Confirmation Order (and any other Final Orders entered by the Bankruptcy Court after the date of this Plan) controls the Plan; provided, however, that nothing in the Plan or the Confirmation Order shall modify the provisions of the Final DIP Order except as expressly provided for in the Plan (including as provided in any provision of the Plan that expressly modifies specific provisions of the Final DIP Order) or as expressly consented to by the Proponent.

11. **Dissolution of the Litigation Trust.**

The Litigation Trust shall terminate three (3) years after the Effective Date, unless extended at the discretion of the Litigation Trustee. Upon such termination, all beneficial interests in the Litigation Trust shall be extinguished, the legal existence of the Litigation Trust shall terminate, and all assets (if any) held by the Litigation Trust on such date shall vest in the Reorganized Debtors free and clear of all claims, liens, encumbrances and other liabilities, in each case without further action of the Bankruptcy Court or any other court, administrative body or other agency. The Litigation Trustee may cause to be filed with any applicable governmental or other regulatory authority such certificate of dissolution or cancellation and any other certificates and documents as the Litigation Trustee, in its sole discretion, deems necessary to reflect the termination of the legal existence of the Litigation Trust, and may take any other action it deems necessary or desirable to reflect the transfer of all assets (if any) held by the Litigation Trust upon termination to the Reorganized Debtors.

12. **Dissolution of the Committee.**

As of the Effective Date, the duties of the Committee shall terminate. Any post-Effective Date powers and duties that would otherwise be powers and duties of the Committee shall be powers and duties of the Reorganized Debtors. The Committee shall be discharged and disbanded as of the Effective Date.

13. **Notices.**

All notices or requests in connection with this Plan shall be made in writing and shall be addressed to:

Edwin J. Harron, Esq.
Joseph M. Barry, Esq.
Young Conaway Stargatt & Taylor LLP
The Brandywine Building and
1000 West Street, 17th Floor, P.O. Box 391
Wilmington, Delaware 19899-0391
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

Bruce R. Zirinsky, Esq.
Nathan A. Haynes, Esq.
Greenberg Traurig, LLP
200 Park Avenue
New York, New York 10166
Telephone: (212) 801-9200
Facsimile: (212) 801-6400

14. **No Admissions.**

Nothing contained in the Plan shall be deemed an admission by the Debtors, the Proponent or any other Person with respect to any matter set forth herein, including, without express or implied limitation, liability on any Claim or the propriety of a Claim's classification.

VI. VOTING ON AND CONFIRMATION OF THE PLAN

A. General

The Proponent submits this Disclosure Statement, pursuant to section 1125 of the Bankruptcy Code, to all known Claimants whose Claims are impaired for the purpose of disclosing that information which the Bankruptcy Court has determined is material, important and necessary for such Claimants to arrive at a reasonably informed decision in exercising their right to vote for acceptance or rejection of the Plan.

In order to confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including that (i) the Plan has classified Claims and Interests in a permissible manner, (ii) the Plan complies with the technical requirements of chapter 11 of the Bankruptcy Code, (iii) the Proponent has proposed the Plan in good faith, and (iv) the Proponent's disclosures as required by chapter 11 of the Bankruptcy Code have been adequate and have included information concerning all payments made or promised by the Debtors or the Proponent in connection with the Plan. The Proponent believes that all of these requirements will have been met by the date of the Confirmation Hearing and will seek rulings of the Bankruptcy Court to such effect at that hearing.

B. Acceptances Necessary for Confirmation

The Bankruptcy Code also requires that the Plan shall have been accepted by the requisite votes of Claimants (except to the extent that "cramdown" is available under section 1129(b) of the Bankruptcy Code); that the Plan be feasible (that is, confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization); and that the Plan be in the "best interests" of all impaired Claimants that do not vote to accept the Plan (that is, that impaired Claimants which do not vote to accept the Plan will receive pursuant to the Plan value at least equal to the value they would receive in a liquidation of the Debtors under

Chapter 7). To confirm the Plan, the Bankruptcy Court must find that all of these requirements are met. Thus, even if the Claimants accept the Plan by the requisite votes, the Bankruptcy Court must make independent findings respecting the Plan's feasibility and whether it is in the best interests of the impaired dissenting Claimants before it may confirm the Plan. These statutory conditions to confirmation are discussed below.

C. Voting Under the Plan

Each Impaired Class of Claims that is receiving a Distribution under the Plan is entitled to vote separately to accept or reject the Plan. Accordingly, except as otherwise provided in the Plan, each Holder of Claims in Classes 2, 4, and 5 will receive a ballot which will be used to cast its vote to accept or reject the Plan. Holders of Claims in Classes 1 and 3 are deemed to accept the Plan and will not be entitled to vote to accept or reject the Plan. Holders of Interests in Classes 6 and 7, are deemed to reject the Plan and will not be entitled to vote to accept or reject the Plan.

The amount of each Claim for voting purposes is determined as of the Voting Record Date as follows:

- The Claim listed in a Debtor's Schedule, provided that (i) such Claim is not scheduled as contingent, unliquidated, undetermined or disputed and (ii) no proof of claim has been timely filed (or otherwise deemed timely filed by the Court under applicable law).

- The noncontingent and liquidated amount specified in a proof of claim timely filed with the Balloting Agent (as defined in the Disclosure Statement Order) or the Court (or otherwise deemed timely filed by the Court under applicable law) to the extent the proof of claim is not the subject of an objection filed no later than May 1, 2009 (the **"Vote Objection Deadline"**) (or, if such claim has been resolved pursuant to a stipulation or order entered by the Court, or otherwise resolved by the Court, the amount set forth in such stipulation or order).

- The amount temporarily allowed by the Court for voting purposes, pursuant to Bankruptcy Rule 3018(a), provided that a motion is brought, notice is provided and a hearing is held prior to the Confirmation Hearing (as defined in the Disclosure Statement Order), in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules.

- Except as otherwise provided in subsection (c) hereof, with respect to Ballots cast by alleged creditors who have timely filed proofs of claim in wholly unliquidated, unknown or uncertain amounts that are not the subject of an objection filed before the Vote Objection Deadline, such Ballots shall be counted in determining whether the numerosity requirement of section 1126(c) of the Bankruptcy Code has been met, but

shall not be counted in determining whether the aggregate claim amount requirement has been met.

D. Acceptance by Impaired Creditors

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or equity interests that is impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is "impaired" unless the plan: (1) leaves unaltered the legal, equitable and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; (2) cures any default and reinstates the original terms of such obligation; or (3) provides that, on the consummation date, the holder of such claim or equity interest receives cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled to any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance.

Pursuant to section 1129 of the Bankruptcy Code, the Holders of Claims in the those Classes entitled to vote must accept the Plan in order for the Plan to be confirmed without application of the "fair and equitable test" to such Classes and without considering whether the Plan "discriminates unfairly" with respect to such Classes, as both standards are described herein.

Holders of Claims in Classes 2, 4, and 5 are impaired under the Plan and are entitled to vote to accept or reject the Plan. Classes 1 and 3 are unimpaired under the Plan and are conclusively deemed to have voted to accept the Plan. Classes 6 and 7 are impaired, will not be receiving Distributions under the Plan and are, therefore, conclusively deemed to have voted to reject the Plan. The Proponent reserves the right to seek non-consensual confirmation of the Plan with respect to any Class of Claims that is entitled to vote to accept or reject the Plan if such class rejects the Plan.

E. Confirmation Without Acceptance by All Impaired Classes

The Bankruptcy Code permits the Bankruptcy Court to confirm a chapter 11 plan over the rejection or deemed rejection of the plan by any class of claims or interests as long as the standards in section 1129(b) of the Bankruptcy Code are met. This power to confirm a plan over dissenting classes—often referred to as "cramdown"—is an important part of the reorganization process. It assures that no single group (or multiple groups) of claims or interests can block a restructuring that otherwise meets the requirements of the Bankruptcy Code and is in

the interests of the other constituents in the case. Because Holders Interests in Classes 6 and 7 are deemed to reject the Plan, the Proponent will seek to have the Plan approved and confirmed by the Bankruptcy Court pursuant to section 1129(b) of the Bankruptcy Code. In addition, it is possible that any other Impaired Class may vote to reject the Plan, in which case the Proponent will request a ruling that the Plan meets the requirements of the Bankruptcy Code with respect to such Class.[11]

In the event one or more Impaired Classes of Claims votes to reject the Plan, and the Plan is not withdrawn as provided in Article XIV.E of the Plan, the Proponent may modify the terms of the Plan in order to reallocate value from all Classes at and below the level of the objecting Class(es) of Claims to all Impaired senior Classes and/or the objecting Class(es) of Claims to the extent they deem necessary to make the Plan satisfy the absolute priority rule set forth in section 1129(b) of the Bankruptcy Code, and may make such other modifications or amendments to this Plan as the Proponent deems necessary or desirable. Any such modifications or amendments shall be filed with the Bankruptcy Court and served on all parties in interest entitled to receive notice of the Confirmation Hearing at least three (3) days prior to such hearing. Notwithstanding anything to the contrary in the Plan, this Plan may not be approved or confirmed unless the Holders of First Lien Secured Claims vote to accept the Plan as provided in Article IV.E of the Plan.

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all other impaired classes entitled to vote on the plan have not accepted it, provided that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent's request, in a procedure commonly known as "cram down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

1. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

[11] Notwithstanding anything to the contrary therein, the Plan may not be approved or confirmed unless the holders of First Lien Secured Claims vote to accept the Plan.

2. Fair and Equitable Test

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the non-accepting class, the test sets different standards depending on the type of claims or equity interests in such class.

Secured Claims: The condition that a plan be "fair and equitable" to a non-accepting class of secured claims includes the requirements that: (A)(i) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (ii) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant's interest in the debtor's property subject to the liens; or (B) the holders of such secured claims realize the indubitable equivalent of such claims.

Unsecured Claims: The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims includes the following requirement that either: (a) the plan provides that each holder of a claim of such class receive or retain, on account of such claim, property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (b) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the plan, on account of such junior claim or junior equity interest, any property.

Equity Interests: The condition that a plan be "fair and equitable" to a non-accepting class of equity interests includes the requirements that either: (a) the plan provides that each holder of an equity interest in that class receives or retains under the plan on account of that equity interest property of a value, as of the effective date of the plan, equal to the greater of: (i) the allowed amount of any fixed liquidation preference to which such holder is entitled; (ii) any fixed redemption price to which such holder is entitled; or (iii) the value of such interest; or (b) if the class does not receive the amount as required under (a) hereof, no class of equity interests junior to the non-accepting class may receive a distribution under the plan.

The Proponent believes that the Plan satisfies the "fair and equitable" requirement notwithstanding that Classes 6 and 7 are deemed to reject the Plan because no class that is junior to these Classes will receive or retain any property on account of Claims or Interests in such Class.

F. Feasibility

The Bankruptcy Code requires that the Proponent demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization, unless provided for in the plan. The Proponent believes that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

G. Best Interests Test

With respect to each impaired class of claims and interests, confirmation of the plan requires that each holder of a claim or interest either (i) accept the plan, or (ii) receive or retain under the plan property of a value, as of the effective date, that is not less than the value such holder would receive or retain if the debtors were liquidated under chapter 7 of the Bankruptcy Code. This requirement is referred to as the "best interests test." To determine what Holders of Claims and Interests of each Impaired Class would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The Proponent's liquidation analysis is attached hereto as Exhibit C.

H. Confirmation and Consummation Procedure

1. Solicitation of Votes

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims in each of Classes 2 (First Lien Secured Claims), 4 (Unsecured Claims) and 5 (Convenience Claims) are Impaired, and the holders of Claims in each of such Classes are entitled to vote to accept or reject the Plan in the manner and to the extent set forth in the Voting Procedures. Pursuant to the procedures established in the Disclosure Statement Order, any holder of a Claim in an impaired class under the Plan may vote on the Plan so long as such Claim has not been disallowed and is not the subject of an objection pending prior to the Voting Deadline Date. Nevertheless, if a Claim is the subject of such an objection, the Holder thereof may vote if, on or prior to the Voting Deadline Date, such Holder obtains an order of the Bankruptcy Court, or the Bankruptcy Court approves a stipulation between the Proponent and such Holder fully or partially allowing such Claim or Interest, whether for all purposes or for voting purposes only.

Claims in each of Classes 1 (Priority Non-Tax Claims) and 3 (Senior Permitted Lien Claims) are unimpaired. The Holders of Allowed Claims in each of such Classes are conclusively presumed to have accepted the Plan, and the solicitation of acceptances with respect to each such Class is not required under section 1126(f) of the Bankruptcy Code. Interests in Classes 6 and 7 are impaired and will not be receiving Distributions under the Plan. The Holders of Claims and Interests in each of such Classes are conclusively presumed to have rejected the Plan, and the solicitation of acceptances with respect to each such Class is not required under section 1126(g) of the Bankruptcy Code. If you hold a Claim or Interest in one of these Classes, you will not be receiving a Ballot.

The Holder of any Claim that, as of the Voting Record Date, (a) has been Disallowed, (b) is the subject of a pending objection, or (c) was listed on the Schedules as unliquidated in amount, contingent or disputed (if no contrary Proof of Claim with respect to such Claim has been timely filed) or a Proof of Claim with respect to which was filed on or before the Bar Date pursuant to the provisions of the Bar Date Order and such Proof of Claim asserts such Claim as unliquidated in amount, contingent or disputed, shall not be entitled to vote on this Plan, unless on or prior to the Voting Record Date, the Bankruptcy Court enters a Final Order directing otherwise; provided, however, that if only a portion of such Claim has been Disallowed, objected to or listed or asserted (as applicable) as unliquidated, contingent or

disputed, such Holder shall be entitled to vote the remainder of such Claim in an amount determined pursuant to the Disclosure Statement Order.

As to classes of claims entitled to vote on a plan, the Bankruptcy Code defines acceptance of a plan by a class of claimholders as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that have timely voted to accept or reject a plan. Detailed voting instructions will be provided with the Ballot and will be set forth in the Voting Procedures.

2. Contents of Solicitation Package

Each Holder of a Claim entitled to vote on the Plan will receive the following materials (collectively, the "Solicitation Package"):

(i) the Confirmation Hearing Notice;

(ii) the Plan;

(iii) this Disclosure Statement;

(iv) the Ballot and Ballot return envelope postage-paid; and

(v) such other information as the Bankruptcy Court may direct or approve.

3. Temporary Allowance of Claims for Voting Purposes

Holders of Claims that are the subject of an objection filed no later than the Vote Deadline Date will not be entitled to vote unless: (i) such claim is temporarily allowed by the Court for voting purposes only pursuant to Bankruptcy Rule 3018(a), after a Claims Estimation Motion is brought by such Holder no later than seven (7) days prior to the Voting Deadline Date, notice is provided and a hearing is held prior to the Confirmation Hearing. If an objection to a Claim requests that such claim be reclassified and/or allowed in a fixed, reduced amount, such Claimant's Ballot shall be counted in such reduced amount and/or as the reclassified category.

4. Voting

The Balloting Agent will facilitate the solicitation process and will answer questions regarding the procedures and requirements for voting to accept or reject the Plan and for objecting to the Plan, provide additional copies of all materials and oversee the voting tabulation. The Balloting Agent will also process and tabulate Ballots for each Class entitled to vote to accept or reject the Plan.

BALLOTS CAST BY HOLDERS IN CLASSES ENTITLED TO VOTE MUST BE RECEIVED BY THE BALLOTING AGENT BY THE VOTING DEADLINE, WHETHER BY FIRST CLASS MAIL, OVERNIGHT COURIER OR PERSONAL DELIVERY. THE BALLOTS AND THE PRE-ADDRESSED, POSTAGE PRE-PAID ENVELOPES ACCOMPANYING THE BALLOTS WILL INDICATE THAT THE BALLOT MUST BE RETURNED TO THE BALLOTING AGENT. THE ADDRESS FOR BALLOTS

RETURNABLE TO THE BALLOTING AGENT IS: LANDSOURCE BALLOT PROCESSING, C/O KURTZMAN CARSON CONSULTANTS LLC, 2335 ALASKA AVENUE, EL SEGUNDO, CA 90245.

FOR ANSWERS TO ANY QUESTIONS REGARDING SOLICITATION PROCEDURES, PARTIES MAY CALL THE BALLOTING AGENT TOLL FREE AT (866) 381-9100.

To obtain an additional copy of the Plan, this Disclosure Statement, the Plan Supplement or other Solicitation Package materials (except Ballots), please refer to the Debtors' restructuring website at http://www.kccllc.net/landsource or request a copy from the Balloting Agent, by writing to LandSource Ballot Processing, c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245 or calling (866) 381-9100.

5. The Confirmation Hearing

Section 1128 of the Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a confirmation hearing. As discussed above, the Confirmation Hearing in respect of the Plan has been scheduled to commence on _____, 2009 at _____ [a.m.] [p.m.], before the Honorable Kevin J. Carey, United States Bankruptcy Court, 824 North Market Street, 5th Floor, Wilmington, DE 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing.

Any objection to confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds of the objection and the amount and class of the Claim. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the Bankruptcy Court and the Proponent on or before _____, 2009 at _____ [a.m.][p.m.], prevailing Eastern time. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

6. Consummation

The Plan will be consummated on the Effective Date. For a more detailed discussion of the conditions precedent to the Effective Date and the impact of the failure to meet such conditions, *see* Sections V.G and V.I of this Disclosure Statement.

VII. SECURITIES REGISTRATION EXEMPTION

A. Securities Registration Exemption

Except as set forth below, the securities to be issued pursuant to the Plan will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon the exemptions set forth in section 1145 of the Bankruptcy Code.

These issuances would also be exempt from registration under the Securities Act or any similar federal, state, or local law in reliance on the exemption set forth in section 4(2) of the Securities Act or Regulation D promulgated thereunder.

B. Section 1145 of the Bankruptcy Code

Section 1145(c) of the Bankruptcy Code provides that securities issued pursuant to a registration exemption under section 1145(a)(1) of the Bankruptcy Code are deemed to have been issued pursuant to a public offering. Therefore, the securities issued pursuant to a section 1145 exemption may generally be resold by any holder thereof without registration under the Securities Act pursuant to the exemption provided by section 4(1) thereof, unless the holder is an "underwriter" with respect to such securities, as such term is defined in section 1145(b)(1) of the Bankruptcy Code. In addition, such securities generally may be resold by the recipients thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, recipients of securities issued under the Plan are advised to consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" for purposes of the Securities Act as one who, subject to certain exceptions, (a) purchases a claim with a view to distribution of any security to be received in exchange for such claim, or (b) offers to sell securities offered or sold under the plan for the holders of such securities, or (c) offers to buy securities issued under the plan from the holders of such securities, if the offer to buy is made with a view to distribution of such securities, and if such offer is under an agreement made in connection with the plan, with the consummation of the plan or with the offer or sale of securities under the plan, or (d) is an issuer, as used in section 2(11) of the Securities Act, with respect to such securities.

The term "issuer," as used in section 2(11) of the Securities Act, includes any person directly or indirectly controlling or controlled by, an issuer of securities, or any person under direct or indirect common control with such issuer. "Control" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be "in control" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns at least ten percent (10%) of the voting securities of a reorganized debtor may be presumed to be a "control person."

To the extent that persons deemed "underwriters" receive securities under the Plan, resales of such securities would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Holders of such restricted securities may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 and Rule 144A under the Securities Act; provided, however, that any sale will be subject to the restrictions on transfer and assignment contained in the operating agreement of Reorganized LandSource Communities.

C. Section 4(2) of the Securities Act/Regulation D

Section 4(2) of the Securities Act provides that the issuance of securities by an issuer in transactions not involving any public offering are exempt from registration under the Securities Act. Regulation D is a non-exclusive safe harbor promulgated by the United States Securities and Exchange Commission under the Securities Act related to, among others, section 4(2) of the Securities Act.

The term "issuer," as used in section 4(2) of the Securities Act, means, among other things, a person who issues or proposes to issue any security.

Securities issued pursuant to the exemption provided by section 4(2) of the Securities Act or Regulation D promulgated thereunder are considered "restricted securities." As a result, resales of such securities may not be exempt from the registration requirements of the Securities Act or other applicable law. Holders of such restricted securities may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 and Rule 144A under the Securities Act; provided, however, that any sale will be subject to the restrictions on transfer and assignment contained in the operating agreement of Reorganized LandSource Communities.

D. Rule 144 and Rule 144A

Under certain circumstances, affiliated holders of restricted securities may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144. Generally, Rule 144 provides that if certain conditions are met (*e.g.*, that the availability of current public information with respect to the issuer, volume limitations, and notice and manner of sale requirements), specified persons who resell restricted securities or who resell securities which are not restricted but who are "affiliates" of the issuer of the securities sought to be resold, will not be deemed to be "underwriters" as defined in section 2(11) of the Securities Act. Rule 144 provides that: (i) a non-affiliate who has not been an affiliate during the preceding three months may resell restricted securities after a six-month holding period if at the time of the sale there is current public information regarding the issuer and after a one year holding period if there is not current public information regarding the issuer at the time of the sale; and (ii) an affiliate may sell restricted securities after a six month holding period if at the time of the sale there is current public information regarding the issuer and after a year holding period if there is not current public information regarding the issuer at the time of the sale, provided that in each case the affiliate otherwise complies with the volume, manner of sale and notice requirements of Rule 144.

Rule 144A provides a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for resales to certain "qualified institutional buyers" of securities that are "restricted securities" within the meaning of the Securities Act, irrespective of whether the seller of such securities purchased its securities with a view towards reselling such securities, if certain other conditions are met (*e.g.*, the availability of information required by paragraph 4(d) of Rule 144A and certain notice provisions). Under Rule 144A, a "qualified institutional buyer" is defined to include, among other persons, "dealers" registered as such pursuant to section 15 of the Exchange Act, and entities that purchase securities for their own

account or for the account of another qualified institutional buyer and that, in the aggregate, own and invest on a discretionary basis at least $100 million in the securities of unaffiliated issuers. Subject to certain qualifications, Rule 144A does not exempt the offer or sale of securities that, at the time of their issuance, were securities of the same class of securities then listed on a *national securities exchange* (registered as such pursuant to section 6 of the Exchange Act) or quoted in a United States automated inter-dealer quotation system.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF SECURITIES PURSUANT TO THE PLAN MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE ISSUER OF SUCH SECURITIES, THE PROPONENT MAKES NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRANSFER THE SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, THE PROPONENT RECOMMENDS THAT POTENTIAL RECIPIENTS OF SECURITIES UNDER THE PLAN CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRANSFER SUCH SECURITIES.

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain significant U.S. federal income tax consequences of the implementation of the Plan to the Debtors and certain holders of Allowed Claims. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations promulgated thereunder, judicial decisions and published rules and pronouncements of the Internal Revenue Service ("IRS"), all as in effect on the date hereof. Due to the unsettled nature of several of the tax issues presented by the Plan, the differences among creditors in the nature of their Claims, and the possibility that future events, including amendments to the Tax Code, the Treasury regulations promulgated thereunder or court decisions, could change the U.S. federal income tax consequences of the transactions, the tax consequences described below are only general descriptions that are subject to significant uncertainties.

This discussion does not address the tax treatment of certain persons that may be subject to special treatment under the Tax Code (for example, foreign taxpayers, government authorities or agencies, broker-dealers, banks, mutual funds, insurance companies, other financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, including qualified plans, and investors in pass-through entities), or any aspect of state, local or foreign taxation. In addition, this discussion does not address the U.S. federal income tax consequences to Holders whose Claims are entitled to reinstatement or are otherwise unimpaired under the Plan. No opinion has been requested, and the Proponent has not sought, nor does it intend to seek, a ruling from the IRS regarding the tax consequences of the Plan. Consequently, there can be no assurance that the treatment set forth below will be accepted by the IRS.

Accordingly, the following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of an Allowed Claim. All Holders of Allowed Claims are urged to consult their own tax advisors for the federal, state, local and other tax consequences applicable to them under the Plan.

IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, Holders of Allowed Claims are hereby notified that: (i) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by Holders of Allowed Claims for the purpose of avoiding penalties that may be imposed on them under federal, state or local tax laws, (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters discussed herein, and (iii) Holders of Allowed Claims should seek advice based on their particular circumstances from an independent tax advisor.

A. Tax Consequences to the Debtors

As a result of the exchange of the Allowed Claims for common units of Reorganized LandSource Communities ("New Equity"), the Debtors may realize substantial taxable gain and cancellation of debt ("COD") income. In general, COD income is the amount by which the face amount of the discharged indebtedness (reduced by any unamortized discount) exceeds any consideration given in exchange therefor. If the Debtor is a partnership (or an entity treated as a partnership for U.S. federal income tax purposes), the amount of the consideration given will be equal to the fair market value of New Equity issued in the exchange.

In general, a taxpayer is not required to include COD income in gross income to the extent that the taxpayer is either insolvent or under the jurisdiction of a court in a Title 11 bankruptcy proceeding and the discharge of debt occurs pursuant to such proceeding. Instead, the Tax Code provides that a taxpayer in a bankruptcy proceeding must, subject to certain limitations, reduce its tax attributes (including, but not limited to, net operating loss ("NOL") carryforwards, current year NOLs, tax credits, and tax basis in assets) by the amount of the COD income. To the extent the amount of COD exceeds the tax attributes available for reduction, any remaining COD income is discharged with no further tax cost to the taxpayer. In the case of a partnership (or an entity treated as a partnership for U.S. federal income tax purposes), the COD income exclusion and attribute reduction rules are applied at the partner, rather than partnership, level. Any COD income recognized by a Debtor that is treated as a partnership for U.S. federal income tax purposes will be allocated to its partners, and each partner generally must include its share of the COD income in determining the partner's own taxable income, except to the extent that the partner is able to exclude the COD income because it is insolvent or under the jurisdiction of a court in a bankruptcy proceeding. Furthermore, a partner may recognize additional gain as a result of a reduction of its share of partnership liabilities, which is treated as a deemed cash distribution.

In addition, to the extent that a Debtor satisfies recourse debt with the underlying collateral, the Debtor generally will recognize gain upon the disposition of such property based on an amount realized equal to the fair market value of such property over the Debtor's adjusted tax basis in such property, with any balance of the debt in excess of the fair market value of the property (less any other consideration paid to discharge such debt) treated as COD income. By contrast, to the extent that nonrecourse debt is satisfied with the underlying collateral, a Debtor generally will recognize gain upon the disposition of property based on an amount realized equal to the nonrecourse debt balance over the Debtor's adjusted tax basis in such property.

B. Tax Consequences to Certain Claimholders

1. General Tax Consequences to Holders of Allowed Claims

The U.S. federal income tax consequences to Holders of Allowed Claims arising from the distributions to be made in satisfaction of their Claims pursuant to the Plan may vary, depending upon, among other things: (i) the manner in which a holder acquired an Allowed Claim; (ii) the type of consideration received by the Holder of an Allowed Claim in exchange for the interest it holds; (iii) the nature of the indebtedness owed to it; (iv) whether the Holder previously claimed a bad debt or worthless securities deduction in respect of the Allowed Claim; (v) whether the Holder of the Allowed Claim is a citizen or a resident of the U.S. for tax purposes; (vi) whether the Holder of the Allowed Claim reports income on the accrual or cash basis; and (vii) whether the Holder receives distributions in more than one taxable year. In addition, where gain or loss is recognized by a holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, whether the Allowed Claim constitutes a capital asset in the hands of the holder and how long it has been held or is treated as having been held, and whether the Allowed Claim was acquired at a market discount.

2. Market Discount

A Holder that purchased its Allowed Claim from a prior Holder at a discount to the then-adjusted issue price of such Allowed Claim may be subject to the market discount rules of the Tax Code. Under those rules, assuming the Holder has not made an election to amortize the market discount into income on a current basis, any gain recognized on the exchange of such Allowed Claim (subject to a de minimis rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Allowed Claim as of the date of the exchange.

3. Accrued Interest

If and to the extent a Holder receives consideration in satisfaction of accrued interest or original issue discount ("OID"), such amount generally will be taxable to the Holder as interest income (if not previously included in the Holder's gross income). While a Holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full, it is unclear whether a holder of an Allowed Claim could be required to recognize a capital loss, rather than an ordinary loss, with respect to any previously included OID that is not paid in full. All Holders of Allowed Claims should consult their tax advisors as to the tax consequences of the receipt of consideration after the Effective Date, the allocation of consideration between principal and interest and the deductibility of unpaid interest for U.S. federal income tax purposes.

4. Rights Offering

The Plan contemplates that Reorganized LandSource Communities may engage in a Rights Offering, pursuant to which additional common units in Reorganized LandSource Communities (or such other entity as shall be determined by the Administrative Agent and the Steering Committee) would be issued. A recipient of common units in Reorganized LandSource

Communities (or in another entity) pursuant to the Rights Offering generally should not recognize taxable gain or loss upon the receipt of such common units. The tax basis in the membership interests should equal the amount paid for such membership interests. The holding period in such membership received should commence the day following its acquisition.

5. Receipt of Beneficial Interests in the Litigation Trust

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary, pursuant to Treasury Regulation Section 301.7701-4(d) and related regulations, the Litigation Trust should be treated as a grantor trust set up for the benefit of the beneficiaries of such Trust. Holders of Allowed Claims that receive a beneficial interest in the Litigation Trust will be treated for U.S. federal income tax purposes as receiving their Pro Rata Shares of the assets of the Litigation Trust from the Debtors in a taxable exchange and then depositing them in the Litigation Trust in exchange for beneficial interests in the Litigation Trust. Holders of Allowed Claims that receive a beneficial interest in the Litigation Trust will be required to report on their United States federal income tax returns their share of the Litigation Trust's items of income, gain, loss, deduction and credit in the year recognized by the Litigation Trust. This requirement may result in such Holders being subject to tax on their allocable share of the Litigation Trust's taxable income prior to receiving any cash distributions from the Litigation Trust. Holders of Allowed Claims that receive a beneficial interest in the Litigation Trust are urged to consult their tax advisors regarding the tax consequences of the right to receive and of the receipt (if any) of property from the Litigation Trust.

6. Holders of First Lien Secured Claims

The exchange of the First Lien Secured Claims for New Equity generally should not result in gain or loss to the Holders of First Lien Secured Claims. A Holder's holding period in a First Lien Claim exchanged for New Equity will be the same as such holder's holding period in the First Lien Secured Claims exchanged for the New Equity. A Holder's initial tax basis in the New Equity will equal such Holder's adjusted basis in the First Lien Claim exchanged for the New Equity. The treatment of any OID and accrued but unpaid interest should be determined in the manner as described above.

A Holder of a First Lien Secured Claim that receives New Equity in exchange for such Claim will become a member of Reorganized LandSource Communities. It is intended that Reorganized LandSource Communities will be treated as a partnership for federal income tax purposes and to that end, the operating agreement of Reorganized LandSource Communities will allow Reorganized LandSource Communities to take all reasonable action to prevent Reorganized LandSource Communities from being treated as a "publicly traded partnership" taxed as a corporation for U.S. federal income tax purposes. Accordingly, holders of New Equity will receive an allocation of income, gain, loss, deduction, credit and items thereof and will be responsible for any tax liability associated with any such allocation. To the extent that any of such First Lien Secured Claims have built-in gain or loss at the time of the exchange, such built-in gain or loss shall be governed by Section 704(c) of the Tax Code. Reorganized LandSource Communities may not have sufficient cash to make a distribution such that the holders can satisfy their tax liability with respect to such allocations.

In general, Reorganized LandSource Communities will be treated as a "publicly

traded partnership" if either the New Equity or any other equity issued by Reorganized LandSource Communities is "publicly traded" within the meaning of Section 7704(b) of the Tax Code and Treasury Regulations promulgated thereunder. The Treasury Regulations set forth safe harbors for partnerships that either (i) have no more than one hundred (100) partners and whose partnership interests have been issued in a transaction that is not required to be registered under the Securities Act or (ii) satisfy the "passive income" guidelines. Although Reorganized LandSource Communities will take such actions as it deems necessary to prevent Reorganized LandSource Communities from being taxable as a corporation for federal income tax purposes, there can be no assurance that Reorganized LandSource Communities will not become a "publicly traded partnership." If Reorganized LandSource Communities is treated as publicly traded partnership, income and deductions of Reorganized LandSource Communities would be reported on its tax return rather than being passed through to the members, and Reorganized LandSource Communities would be required to pay income tax at corporate rates on its net income. The imposition of any such tax would reduce the amount of cash available to be distributed to the holders that own the New Equity.

7. Holders of Administrative Expense Claims, Priority Tax Claims, DIP Revolver Loan Claims, Priority Non-Tax Claims, Senior Permitted Lien Claims, Second Lien Claims, Unsecured Claims and Convenience Class Claims.

Under the Plan, Holders of Administrative Expense Claims, Priority Tax Claims, DIP Revolver Loan Claims, Priority Non-Tax Claims, Senior Permitted Lien Claims, Second Lien Claims, Unsecured Claims and Convenience Class Claims generally will be paid any Cash Distribution either on the Effective Date or over a period of time. Accordingly, a Holder of Administrative Expense Claims, Priority Tax Claims, DIP Revolver Loan Claims, Priority Non-Tax Claims, Senior Permitted Lien Claims, Second Lien Claims, Unsecured Claims and Convenience Class Claims generally should realize gain or loss in an amount equal to the difference between (i) the amount realized by the Holder in satisfaction of its Claim (other than in respect of any Claim for accrued but unpaid interest, and excluding any portion required to be treated as imputed interest due to the post-Effective Date distribution of such consideration), and (ii) the Holder's adjusted tax basis in its Claim (excluding any portion attributable to an Claim for accrued but unpaid interest). The amount realized by a Holder should equal the sum of the amount of any Cash and the fair market value of any other property received by the Holder. It is possible that any loss or a portion of any gain realized by such a Holder may be deferred until the Holder has received its final Distribution. A Holder's tax basis in any property received in satisfaction of a Claim generally should equal the fair market value of such property, and the Holder's holding period for the property generally should begin the day following the acquisition of the property. Furthermore, the Holders' gain or loss, the character of such gain or loss, the application of the market discount rules, and the treatment of accrued but unpaid interest generally should be determined in the same manner as described above.

C. Tax Consequences of the Lennar Equity Investment

On the Effective Date, Lennar will pay $140 million in exchange for (i) the Lennar Equity Interest; (ii) the settlement of the Lennar Released Claims; and (iii) the Lennar Acquired Assets. The receipt of the Lennar Equity Interest generally should not result in gain or

loss to Reorganized LandSource Communities. The Debtors may recognize gain or income attributable to either (i) a disposition of Lennar Acquired Assets, (ii) the settlement of a the Lennar Released Claims, or (iii) the recoupment of a previously deductible expense. Reorganized LandSource Communities intends to take the position that any such income or gain is attributable to the period prior to the Effective Date and therefore allocable to the existing members of the Debtors as of the Effective Date.

D. Information Reporting and Withholding

All Distributions to Holders of Allowed Claims under the Plan are subject to any applicable withholding obligations. Under U.S. federal income tax law, certain interest, dividends and other reportable payments may be subject to "backup withholding" at the then-applicable rate (currently 28%). Backup withholding generally applies if the Holder: (i) fails to furnish its social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails properly to report interest or dividends, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

In addition, from an information reporting perspective, Treasury regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders of Claims and Interests are urged to consult their tax advisors regarding these Treasury regulations and whether the transactions contemplated by the Plan would be subject to these Treasury regulations and require disclosure on a Holder's tax returns.

E. Non-United States Claimholders

This Disclosure Statement does not cover any of the U.S. federal income tax consequences of the Plan to Non-United States Holders of Claims. Each such Holder should consult its own tax advisor as to the United States tax consequences of holding common units in Reorganized LandSource Communities including, without limitation, (i) whether such Holder will be subject to United States tax and required to file a United States tax return, (ii) the tax consequences of a sale of its interest in Reorganized LandSource Communities, and (iii) the withholding obligations imposed on distributions from Reorganized LandSource Communities to such Holder.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. THE PROPER TAX TREATMENT OF A HOLDER OF AN ALLOWED CLAIM IS UNCERTAIN IN VARIOUS RESPECTS. ACCORDINGLY, EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR AS TO PARTICULAR TAX CONSEQUENCES TO IT OF PURCHASING, HOLDING AND DISPOSING OF THE NEW EQUITY, INCLUDING

THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

IX. RISK FACTORS

Holders of Claims against the Debtors and Interests in the Debtors should read and consider carefully the factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or referred to herein by reference), prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

A. Bankruptcy Considerations

Although the Proponent believes that the Plan satisfies all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes.

The Plan contemplates occurrence of the Effective Date no later than May 31, 2008, the Maturity Date (as defined in the DIP Credit Agreement) of the DIP Credit Agreement. If the Effective Date does not occur by May 31, 2008, there is no guaranty that the Maturity Date under the DIP Credit Agreement will be extended or that Plan will be consummated, and alternatives to the Plan may need to be explored.

B. Proponent Cannot State with any Degree of Certainty what Recovery Will be Available to Holders of Allowed Claims in Voting Classes

No fewer than three unknown factors make certainty of creditor recoveries under the Plan impossible. First, the Proponent cannot know with any certainty, at this time, the number or amount of Claims that will ultimately be Allowed in each of the voting classes. Second, the Proponent cannot know with any certainty, at this time, the value of Valencia Water Company. Third, the Proponent cannot know with any certainty, at this time, the value of the Avoidance Actions.

C. Risks Related to the Rights Offering

The Plan contemplates a successful Rights Offering, which will fund distributions to Allowed Claims on the Effective Date and provide working capital for the Reorganized Debtors. The risk that the Rights Offering will fail to raise sufficient funds is minimized by the Backstop Parties. However, there is no guarantee that the Rights Offering and related backstop commitment will successfully close.

In addition, a Holder of a First Lien Secured Claim who is unable or unwilling to participate in the Rights Offering will experience dilution of those common units issued in exchange for such Holder's release of its First Lien Secured Claim.

D. Risks Related to Reorganized LandSource Communities Units

The Proponent's estimated recoveries to Holders of Allowed Claims receiving common units in Reorganized LandSource Communities as part of their Distributions are not intended to represent the market value of Reorganized LandSource Communities' securities. The estimated recoveries are based on numerous assumptions (the realization of many of which are beyond the control of Reorganized LandSource Communities), including, without limitation: (i) the successful reorganization of the Reorganized Debtors; (ii) an assumed date for the occurrence of the Effective Date; (iii) Reorganized LandSource Communities' ability to achieve the operating and financial results included in the Financial Projections annexed hereto as Exhibit D; (iv) Reorganized LandSource Communities' ability to maintain adequate liquidity to fund operations; and (v) the assumption that capital and equity markets remain consistent with current conditions.

E. Risk That Proceeds From Causes of Action Will be Less than Projected

The Plan provides that Holders of Class 4 Claims will recover, in part, from Litigation Trust Proceeds. Although the Proponent anticipates that the Avoidance Actions will, in time, be resolved in a manner that provides a net benefit, there can be no guarantee that the result will be favorable.

F. Business Risks (Inherent Uncertainty of Financial Projections)

Although the Financial Projections set forth in Exhibit D suggest that Reorganized LandSource Communities will be able to meet all of its financial obligations following confirmation of the Plan, these projections are dependant upon certain assumptions related to the expected state of regional real estate markets, which may or may not prove accurate.

The current crisis in the global credit and financial markets, and the inability of corporate borrowers to access the debt markets, may materially and adversely affect Reorganized LandSource Communities' ability to obtain sufficient financing to operate its businesses on a going forward basis.

The ability of Reorganized LandSource Communities to continue its land development business is highly dependant on the its ability to procure adequate bonding capacity for its construction and development projects. While the Proponent believes that Reorganized LandSource Communities will maintain sufficient bonding capacity over the next few years, the current crisis in the global credit and financial markets and related contraction in the bonding market presents risks to Reorganized LandSource Communities' business going forward.

The ability of Reorganized LandSource Communities to achieve the Financial Projections set forth in Exhibit D and operate its land development business on a going forward basis is highly dependant on the its ability to secure the issuance of the necessary development approvals, authorizations, special permits, site plans, variances, and other local governmental land use approvals (collectively, "Entitlements") for its development projects that are not presently fully entitled and modify certain conditions and obligations associated with existing

Entitlements. While the Proponent believes that Reorganized LandSource Communities will be able to secure and/or modify the requisite Entitlements, there can be no guaranty that these efforts will be successful in all instances; in addition there can be no guaranty that the issuance and/or modification of theses Entitlements will not be conditioned upon the satisfaction by the Reorganized LandSource Communities of obligations not contemplated by the current financial projections.

G. Financial Projections and Other Forward Looking Statements Are Not Assured, Are Subject to Inherent Uncertainty Due to the Numerous Assumptions Upon Which They Are Based and, as a Result, Actual Results May Vary

Any financial information that may be contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Proponent relied on financial data derived from the Debtors' books and records that was available at the time of such preparation. Although the Proponent has used its reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement, and while the Proponent believes that such financial information fairly reflects the financial condition of the Debtors, the Proponent is unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

This Disclosure Statement contains various projections concerning the financial results of the Reorganized Debtors' operations, including the Financial Projections, that are, by their nature, forward looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtors may turn out to be different from the Financial Projections.

Specifically, the projected financial results contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtors, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of confirmation and consummation of the Plan in accordance with its terms; (b) the anticipated future performance of the Reorganized Debtors, including, without limitation, the Reorganized Debtors' ability to maintain or increase revenue and gross margins, control future operating expenses, or make necessary capital expenditures; (c) general business and economic conditions; and (d) overall industry performance and trends.

Due to the inherent uncertainties associated with projecting financial results generally, the projections contained in this Disclosure Statement will not be considered assurances or guarantees of the amount of funds or the amount of Claims that may be Allowed in the various Classes. While the Proponent believes that the financial projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized.

H. The Reorganized Debtors' Businesses, Financial Condition, and Results of Operations Could Be Materially Adversely Affected by the Occurrence of Natural Disasters, such as Earthquakes or Other Catastrophic Events, Including War and Terrorism

Natural disasters, such as fires and earthquakes, could adversely affect the Reorganized Debtors' businesses and operating results. Earthquakes are common in or near Nevada and California, and the severity of such natural disasters is unpredictable. The Proponent cannot predict the impact that any future natural disasters will have on the ability of Reorganized LandSource Communities to sustain its business activities.

Catastrophic events such as terrorist and war activities in the United States and elsewhere have had a negative effect on travel and leisure expenditures, including lodging, gaming (in some jurisdictions), and tourism. Any man-made or natural disasters could have a significant adverse effect on their businesses, financial condition, and results of operations. The Proponent cannot predict the extent to which such events may affect them, directly or indirectly, in the future. The Proponent also cannot ensure that Reorganized LandSource Communities will be able to obtain any insurance coverage with respect to occurrences of terrorist acts and any losses that could result from these acts.

The prolonged disruption at any of Reorganized LandSource Communities' properties due to natural disasters, terrorist attacks, or other catastrophic events could adversely affect Reorganized LandSource Communities' businesses, financial condition, and results of operations.

I. Tax-Related Risks

Holders of First Lien Secured Claims that receive common units in Reorganized LandSource Communities may receive an allocation of income, gain, loss, deduction, credit or items thereof and will be responsible for any tax liability associated with a net income allocation. However, Reorganized LandSource Communities may not have sufficient cash to make a cash distribution to such members in order for them to satisfy any such tax liability.

If and to the extent a Holder of an Allowed Claim receives consideration in satisfaction of accrued interest or original issue discount, such amount generally will be taxable to the holder as interest income (if not previously included in the holder's gross income).

If a secondary market develops for the common units in Reorganized LandSource Communities causing Reorganized LandSource Communities to be treated as publicly traded partnership taxable as a corporation, income and deductions of Reorganized LandSource Communities would be reported on its tax return rather than being passed through to the members. Reorganized LandSource Communities would be required to pay income tax at corporate rates on its net income. The imposition of any such tax would reduce the amount of cash available to be distributed to the members of Reorganized LandSource Communities.

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF PLAN

A. General

If the Plan is not confirmed, the potential alternatives include (i) alternative plans of reorganization under chapter 11, (ii) dismissal of the Chapter 11 Cases, or (iii) conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code.

B. Alternative Plans of Reorganization

If the Plan is not confirmed, the Proponent may attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of its assets.

The Administrative Agent has concluded that the Plan enables creditors and equity holders to realize the most value under the circumstances and that claimants would receive greater recoveries under the Plan than under a different business reorganization scenario or in a chapter 7 liquidation.

C. Sale of Assets Under Section 363 With Follow-On Plan

If the Plan is not confirmed, a section 363 sale may be pursued whereby substantially all of the Debtors' assets will be sold. The Administrative Agent has the right to credit bid at any such 363 sale in accordance with the Final DIP Order. After such 363 sale is consummated, a Chapter 11 plan may be filed with the Bankruptcy Court with respect to any remaining assets.

D. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which case a trustee would be elected or appointed to liquidate the Debtors' assets. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in Section VI.D.3.d of this Disclosure Statement. The Proponent believes that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan.

XI. DISCLOSURE STATEMENT DISCLAIMER

A. Information Contained Herein Is for Soliciting Votes and Exercising Subscription Rights

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and for purposes of exercising Subscription Rights and may not be relied upon for any other purposes.

B. This Disclosure Statement Was Not Approved by the United States Securities and Exchange Commission

This Disclosure Statement was not filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

C. Reliance on Exemptions from Registration Under the Securities Act

This Disclosure Statement has been prepared pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and is not necessarily in accordance with federal or state securities laws or other similar laws. The issuance of equity under the Plan has not been registered under the Securities Act or similar state securities or "blue sky" laws. To the maximum extent permitted by section 1145 of the Bankruptcy Code, the Securities Act and other applicable non-bankruptcy law, the issuance of equity under the Plan will be exempt from registration under the Securities Act by virtue of section 1145 of the Bankruptcy Code.

D. No Legal or Tax Advice Is Provided to You by this Disclosure Statement

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or an Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Interests, his or her exercise of Subscription Rights. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan, exercise Subscription Rights or object to Confirmation of the Plan.

E. No Admissions Made

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity nor (b) be deemed evidence of the tax or other legal effects of the Plan on Reorganized Debtors or any other parties in interest.

F. Failure to Identify Litigation Claims or Projected Objections

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Proponent may seek to object to Claims and Interests before or after the confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or objections to such Claims.

G. No Waiver of Right to Object or Right to Recover Transfers and Assets

The vote by a Holder of an Allowed Claim for or against the Plan does not constitute a waiver or release of any Claims, Causes of Action, or rights of the Proponent,

Debtors or Reorganized Debtors (or any party in interest, as the case may be) to object to that Holder's Allowed Claim, or recover any preferential, fraudulent or other voidable transfer of assets, regardless of whether any Claims or Causes of Action are specifically or generally identified herein.

H. Potential Exists for Inaccuracies, and the Proponent has No Duty to Update

The statements contained in this Disclosure Statement are made by the Proponent as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Proponent has used its reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Proponent nonetheless cannot, and does not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Proponent may subsequently update the information in this Disclosure Statement, it has no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

I. No Representations Outside this Disclosure Statement Are Authorized

No representations concerning or relating to the Debtors, these Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Proponent and the United States Trustee.

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XII. SUMMARY, RECOMMENDATION AND CONCLUSION

In the opinion of the Proponent, the treatment of the Claims and Interests under the Plan contemplates a greater recovery than that which is likely to be achieved under other alternatives for the reorganization or liquidation of the Debtors. Accordingly, the Proponent believes that confirmation of the Plan is in the best interests of Holders of Claims and Interests and recommends that you vote to accept the Plan.

March 20, 2009

Respectfully submitted,

BARCLAYS BANK PLC
as Administrative Agent

By: */s/ Mark Manksi*
Name: Mark Manski
Its: Managing Director

Exhibit A

The Plan

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	Chapter 11
LANDSOURCE COMMUNITIES DEVELOPMENT LLC, *et al.*,	:	Case No. 08-11111 (KJC)
	:	(Jointly Administered)
Debtors.	:	

FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION FOR LANDSOURCE COMMUNITIES DEVELOPMENT LLC AND ITS AFFILIATED DEBTORS PROPOSED BY BARCLAYS BANK PLC, AS ADMINISTRATIVE AGENT, UNDER THE SUPER-PRIORITY DEBTOR-IN-POSSESSION FIRST LIEN CREDIT AGREEMENT

Dated: March 20, 2009

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as Administrative Agent

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Barclays Bank PLC, as Administrative Agent for itself and various financial institutions or entities that may become, from time to time, lenders under that certain Super-Priority Debtor-in-Possession First Lien Credit Agreement, hereby proposes this Plan pursuant to the provisions of chapter 11 of the Bankruptcy Code. All capitalized terms used in this Plan are either defined in section 101 of the Bankruptcy Code or in Article I below.

ARTICLE I
DEFINITIONS

A. Defined Terms. Unless otherwise provided in this Plan, all terms used herein have the meanings assigned to such terms in the Bankruptcy Code. For the purposes of this Plan, the following terms have the meanings set forth below:

1. "Administrative Agent" means Barclays Bank PLC, as administrative agent for itself and various financial institutions or entities that may become, from time to time, lenders under the DIP Credit Agreement.

2. "Administrative Costs" means the any and all costs of administering the Chapter 11 Cases incurred by the Debtors from the Petition Date to the Effective Date.

3. "Administrative Expense Bar Date" means a date established by the Confirmation Order that shall be the deadline for filing Proofs of Claim for Administrative Expense Claims.

4. "Administrative Expense Claim" means any Claim (other than a Fee Claim or DIP Revolver Loan Claim) for payment of costs or expenses of administration specified in sections 503(b) and 507(a)(2) of the Bankruptcy Code including, without express or implied limitation: (a) any actual and necessary costs and expenses incurred on and after the Commencement Date of preserving the Estates and operating the business of the Debtors (such as wages, salaries or commissions for services rendered); (b) any Allowed Claims for reclamation of goods pursuant to section 546(c) of the Bankruptcy Code; (c) any fees and charges assessed against the Estates pursuant to section 1930 of title 28 of the United States Code; and (d) any fees, costs and expenses incurred by the Debtors or the Administrative Agent in administering the provisions of this Plan prior to the Effective Date.

5. "Affiliate" shall have the meaning ascribed to such term in Bankruptcy Code section 101(2).

6. "Allowed" means, with respect to any Claim: (a) any Claim that is allowed pursuant to or as provided in this Plan, the Confirmation Order or a Final Order of the Bankruptcy Court, (b) any Claim set forth in the Schedules as liquidated in amount and not contingent or disputed (if no contrary Proof of Claim with respect to such Claim was timely filed), or (c) any Claim with respect to which a Proof of Claim was properly and timely filed as provided in this Plan or the Bar Date Order, as applicable, and such Proof of Claim asserts such Claim as liquidated in amount and not contingent or disputed, and for which no objection to the allowance of such Claim has been interposed within the applicable period fixed by this Plan, the

Bankruptcy Code, the Bankruptcy Rules, the Local Rules or a Final Order of the Bankruptcy Court.

7. "Allowed Amount" means:

(a) With respect to any Claim (other than a Fee Claim, DIP Revolver Loan Claim, First Lien Claim, Second Lien Claim or Senior Permitted Lien Claim), the amount of such Claim as is Allowed.

(b) With respect to any Claim that is asserted to constitute a Fee Claim and for which a Fee Application has been properly filed and served in accordance with Article IV.B.1 below, the amount fixed by a Final Order of the Bankruptcy Court.

(c) With respect to DIP Revolver Loan Claims, such Claims in the aggregate amount of not less than $84,204,770.12 in principal and interest as of March 20, 2009, *plus* all additional principal, interest, fees, expenses and other obligations owed or owing as of the Effective Date *less* any payments made by the Debtors prior to the Effective Date, in each case with respect to the Revolver Facility provided for in the DIP Credit Agreement.

(d) With respect to First Lien Claims, such Claims in the aggregate amount of not less than $1,077,410,774.88 in principal and interest as of March 20, 2009, *plus* all interest, fees, expenses and other obligations owed or owing as of the Effective Date *less* any payments made by the Debtors prior to the Effective Date, in each case with respect to the Roll-Up Facility provided for in the DIP Credit Agreement.

(e) With respect to Second Lien Claims, such Claims in the aggregate amount of $244,000,000 as of the Commencement Date *less* any payments made by the Debtors prior to the Effective Date with respect to the Second Lien Credit Agreement.

(f) With respect to Senior Permitted Lien Claims, the amount (i) agreed to, in writing, by the Administrative Agent and the Steering Committee or (ii) the amount as fixed by Final Order of the Bankruptcy Court.

8. "Avoidance Actions" means Claims or Causes of Action asserted or that could be asserted by or on behalf of the Estates pursuant to sections 542, 544 (including under applicable state laws through which transfers may be avoided), 546, 547, 548, 550 or 551 of the Bankruptcy Code, including any such Claims or Causes of Action asserted by the Debtors, the Holders of First Lien Deficiency Claims, the Holders of Second Lien Claims, the Committee or others.

9. "Backstop Parties" means those Holders of First Lien Secured Claims that enter into a certain backstop agreement with the Proponent or its designee with respect to the Rights Offering to acquire up to all of the Rights Offering Units not subscribed for in the Rights Offering.

10. "Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended and as codified in title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*

11. "Bankruptcy Court" means the United States District Court for the District of Delaware having jurisdiction over the Chapter 11 Cases.

12. "Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, as amended and as applicable to the Chapter 11 Cases.

13. "Bar Date" means November 14, 2008, the deadline for filing Proofs of Claim with respect certain Claims, and December 5, 2008, the deadline for governmental units to file Proofs of Claim, as established by the Bar Date Order.

14. "Bar Date Order" means that certain Order Pursuant to Bankruptcy Rules 2002(a)(7), (f), (l) and 3003(e) and Section 502(b)(9) of the Bankruptcy Code Establishing Deadlines for Filing Proofs of Claim and Approving the Form and Manner of Notice Thereof, entered by the Bankruptcy Court in the Chapter 11 Cases on September 9, 2008. [Docket No. 590]

15. "Business Day" means any day except a Saturday, Sunday or legal holiday (as such term is defined in Bankruptcy Rule 9006(a)).

16. "Cancellation Event" means a decision by the Proponent prior to the Effective Date to terminate the Rights Offering.

17. "Cash" means cash and cash equivalents, including, without express or implied limitation, bank deposits, checks and other similar items.

18. "Causes of Action" means any and all actions, claims, rights, defenses, third-party claims, damages, executions, demands, crossclaims, counterclaims, suits, causes of action, choses in action, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims whatsoever, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly, indirectly or derivatively, at law, in equity or otherwise, accruing to the Debtors, which causes of action exist as of the Effective Date, whether or not those causes of action arose before or after the Commencement Date; provided, however, that "Causes of Action" shall not include (a) causes of action with respect to any claim that has been released or waived by the Debtors through the Plan or a Final Order of the Bankruptcy Court including, without express or implied limitation, the Final DIP Order or (b) Lennar Released Claims.

19. "Chapter 11 Cases" means the cases commenced under Chapter 11 of the Bankruptcy Code by the Debtors, which are pending before the Bankruptcy Court and jointly administered under Chapter 11 Case No. 08-11111 (KJC).

20. "Claim" means a "claim," as defined in section 101(5) of the Bankruptcy Code, against any of the Debtors, whether or not asserted, whether or not the facts of or legal bases therefor are known or unknown, and specifically including, without express or implied limitation, any rights under section 502(g), 502(h), or 502(i) of the Bankruptcy Code, any claim of a derivative nature, any potential or unmatured contract claim and any contingent claim.

21. "Class" means any group of Claims or Interests classified by this Plan, as described in Article II below, pursuant to section 1122(a) of the Bankruptcy Code.

22. "Commencement Date" means June 8, 2008, the date on which the petitions commencing the Chapter 11 Cases were filed by the Debtors with the Bankruptcy Court.

23. "Committee" means the statutory committee of unsecured creditors appointed by the U.S. Trustee on or about June 20, 2008.

24. "Confirmation Date" means the date on which the Confirmation Order is entered by the Clerk of the Bankruptcy Court.

25. "Confirmation Hearing" means the hearing pursuant to which the Bankruptcy Court considers confirmation of this Plan.

26. "Confirmation Order" means the Final Order or Orders of the Bankruptcy Court, among other things, (i) confirming this Plan pursuant to section 1129 of the Bankruptcy Code, and (ii) establishing the Administrative Expense Bar Date, which order or orders shall be in form and substance acceptable to the Proponent.

27. "Convenience Class Amount" means such amount to be determined by the Proponent.

28. "Convenience Class Claim" means any Unsecured Claim that is not a Second Lien Claim or a Lennar Claim and the Allowed Amount of which (whether such Allowed Amount is determined under this Plan, by Final Order of the Bankruptcy Court, or by agreement with the Debtors or the Reorganized Debtors, as applicable, and approved by the Proponent) is (a) less than the Convenience Class Amount or (b) is more than the Convenience Class Amount if the Holder of such Claim has agreed to reduce the amount of the Claim to the Convenience Class Amount by making the Convenience Class Election on the ballot within the time fixed by the Bankruptcy Court for completing and returning such ballot. Without the prior written consent of the Debtors or the Reorganized Debtors, and approved by the Proponent, as applicable, no Claim may be subdivided into multiple Claims for purposes of receiving the treatment provided under this Plan to Holders of Allowed Convenience Class Claims. In the event a Holder of an Allowed Unsecured Claim against a Debtor also holds Allowed Unsecured Claims against other Debtors, such Claims shall be aggregated for purposes of determining whether each such Claim is a Convenience Class Claim.

29. "Convenience Class Election" means the election pursuant to which the Holder of an Unsecured Claim in an amount greater than the Convenience Class Amount timely elects to have its Claim reduced to the Convenience Class Amount and treated as a Convenience Class Claim.

30. "Debtors" means California Land Company; Friendswood Development Company LLC; Kings Wood Development Company, L.C.; LandSource Communities; LandSource Communities Development Sub LLC; LandSource Holding Company, LLC; Lennar Bressi Ranch Venture, LLC; Lennar Land Partners II; Lennar Mare Island, LLC; Lennar

Moorpark, LLC; Lennar Stevenson Holdings, L.L.C.; LNR-Lennar Washington Square, LLC; LSC Associates, LLC; NWHL GP LLC; The Newhall Land and Farming Company (A California Limited Partnership); The Newhall Land and Farming Company; Southwest Communities Development LLC; Stevenson Ranch Venture LLC; Tournament Players Club at Valencia, LLC; Valencia Corporation; and Valencia Realty Company.

31. "DIP Credit Agreement" means that certain Super-Priority Debtor-in-Possession First Lien Credit Agreement dated as of June 16, 2008, by and among LandSource Communities, as parent guarantor, LandSource Holding Company, LLC, as borrower, the guarantors party thereto, the lenders party thereto and the Administrative Agent, including any related documents, as amended, supplemented or otherwise modified from time to time.

32. "DIP Loan Collateral" means the Estate Assets or other property or interests in property of the Debtors in or upon which the Holders of the DIP Revolver Loan Claims and First Lien Claims have a valid, perfected and enforceable security interest, lien, mortgage or other encumbrance securing such Claims, pursuant to the DIP Credit Agreement.

33. "DIP Revolver Loan Claims" means all Claims of and obligations owing to the lenders with respect to the Revolver Facility provided for in the DIP Credit Agreement. The DIP Revolver Loan Claims are Allowed pursuant to this Plan. The Administrative Agent shall act as Paying Agent for the DIP Revolver Loan Claims.

34. "Disallowed" means, with respect to a Claim, the Claim or that portion thereof that is disallowed pursuant to this Plan or a Final Order of the Bankruptcy Court or other court of competent jurisdiction. Except to the extent the Holder of a Claim is entitled to post-petition interest on such Claim pursuant to section 506 of the Bankruptcy Code, the Final DIP Order or as expressly provided in this Plan, a Claim shall be Disallowed to the extent that it is for post-petition interest.

35. "Disclosure Statement" means a disclosure statement that relates to this Plan and has been approved by the Disclosure Statement Order, as such disclosure statement may be revised, amended, modified or supplemented (and all exhibits and schedules annexed thereto or referred to therein).

36. "Disclosure Statement Order" means the Final Order (I) Approving the Disclosure Statement; (II) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject the Plan, Including (A) Approving the Form and Manner of Solicitation Packages; (B) Approving the Form and Manner of Notice of the Confirmation Hearing; (C) Establishing Record Date and Approving Procedures for Distribution of Solicitation Packages; (D) Approving Forms of Ballots; (E) Establishing Deadline for Receipt of Ballots; (F) Approving Procedures for Vote Tabulations; and (G) Approving Procedures Associated with the Rights Offering; and (III) Establishing Deadline and Procedures for Filing Objections to (A) Confirmation of the Plan and (B) Proposed Cure Amounts Related to Contracts and Leases Assumed Under the Plan; and (IV) Granting Related Relief entered by the Bankruptcy Court.

37. "Disputed" means, with respect to a Claim, that portion (including, when appropriate, the whole) of a Claim that is neither Allowed nor Disallowed.

38. "Disputed Claims Reserve" means, with respect to each Class of Claims, the reserve established by the Distribution Agent with respect to such Class to hold Distributions on account of Disputed Claims in such Class, as provided in Article VII.A below.

39. "Distribution" means Cash, property, interests in property or other value distributed under this Plan to the Holders of Allowed Claims or their respective Paying Agents, as applicable. Except as otherwise provided in this Plan, all Distributions made on account of an Allowed Claim shall be made by the Distribution Agent to the Holder of such Claim, as of the Distribution Record Date, or Paying Agent, on the Distribution Date, unless the Proponent consents to making Distributions on account of such Claim to a different Person.

40. "Distribution Address" means, for each Holder of a Claim, its address as set forth in the Proof of Claim with respect to such Claim or, if no Proof of Claim is filed in respect to a particular Claim, its address as set forth in the Schedules. Notwithstanding anything to the contrary herein, to the extent a Distribution on account of a Claim is required to be made to a Paying Agent, the Distribution Address for the Holder of such Claim shall be the address of the Paying Agent.

41. "Distribution Agent" means such Person, as selected by the Proponent, in its sole discretion, to make Distributions under the Plan.

42. "Distribution Date" means as soon as practicable after the Effective Date, or the date upon which a Claim becomes Allowed, and once every six (6) months thereafter, unless determined by the Distribution Agent, in its reasonable discretion, that such Distribution would be economically infeasible.

43. "Distribution Record Date" means a date established by the Disclosure Statement Order that shall be the date of determination as to the Holder of a Claim for purposes of Distributions under this Plan.

44. "Effective Date" means the first Business Day after the later of (a) the date on which all of the conditions precedent to the effectiveness of this Plan specified in Article VIII.N below have been satisfied or waived, and (b) if the Confirmation Order is stayed, the date of expiration, dissolution, or lifting of such stay.

45. "Effective Date Assumed Contract" means an executory contract or unexpired lease of the Debtors, if any, that is assumed on the Effective Date pursuant to section 365 of the Bankruptcy Code, and in accordance with Article XIII.A below.

46. "Estates" means the Debtors' estates created in the Chapter 11 Cases pursuant to section 541 of the Bankruptcy Code.

47. "Estate Assets" means all property and other interests of the Debtors included in the Estates pursuant to section 541 of the Bankruptcy Code, including the Causes of Action and all other property and interests of the Debtors, wherever located or of whatever type or nature, existing as of the Confirmation Date or thereafter arising (but excluding assets distributed, expended or otherwise disposed of by the Debtors prior to the Confirmation Date that are not otherwise subject to recovery by the Debtors), including, without express or implied

limitation, any executory contracts and unexpired leases assumed by the Debtors pursuant to a Final Order of the Bankruptcy Court or this Plan and any rights of the Debtors pursuant to section 505 of the Bankruptcy Code, and all proceeds of the foregoing.

48. "Excess G&A Claims" means those certain Claims asserted jointly and severally against LNR NWHL Holdings, Inc., LNR Land Partners Sub, LLC and the Lennar Entities under the Second Amended and Restated LLC Agreement of LandSource Communities for allegedly excessive general and administrative expenses.

49. "Exculpated Person" means (a) the Proponent, Administrative Agent, the First Lien Agent, former and current Holders of DIP Revolver Loan Claims and former and current Holders of First Lien Claims; (b) the Debtors, the Reorganized Debtors and/or their respective Affiliates, former, current and future members, officers, directors, employees, consultants, agents, advisors, attorneys, accountants, financial advisors, other representatives or any of their respective former, current and future officers, directors, employees, consultants, agents, advisors, members, attorneys, accountants, financial advisors, other representatives and professionals, or any professional employed by any of them; (c) the Second Lien Administrative Agent, and former and current Holders of Second Lien Claims; (d) the Committee and its members, representatives, agents and professionals, provided, however, such persons shall only be Exculpated Persons in their capacity as members, agents, representatives or professionals of the Committee for actions taken as members of the Committee and for no other purposes; (e) the Lennar Entities; (f) the Paying Agent; (g) the Distribution Agent; and (h) the Subscription Agent.

50. "Existing Bonds" shall have the meaning set forth in Article VIII.D of the Plan.

51. "Fee Application" means an application for payment of a Fee Claim that conforms with the requirements of this Plan, the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any applicable orders of the Bankruptcy Court.

52. "Fee Claim" means a Claim for compensation or reimbursement of expenses, pursuant to sections 327, 328, 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), 503(b)(5) or 1103 of the Bankruptcy Code, incurred with respect to the Chapter 11 Cases.

53. "Final DIP Order" means the Final Order (I) Authorizing Debtors (A) to Obtain Post-Petition Senior Secured Super-Priority Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e) and (B) to Utilize Cash Collateral of Pre-Petition Secured Parties, (II) Authorizing the Repayment in Full of All Obligations in Respect of the First Lien Credit Facility, (III) Granting Adequate Protection to Pre-Petition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364, (IV) Treating Certain Information as Confidential Pursuant to Bankruptcy Rule 9018, and (V) Granting Related Relief, entered by the Bankruptcy Court on July 21, 2008. [Docket No. 306]

54. "Final Order" means an order as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceeding for reargument or rehearing shall then be pending or as to which any right to appeal, petition for *certiorari*, reargue or rehear shall have been waived in

writing in form and substance satisfactory to the Plan Proponent, as applicable, or, in the event that an appeal, writ of *certiorari* or reargument or rehearing thereof has been sought, such order has been affirmed by the highest court to which such order was appealed, or *certiorari*, reargument or rehearing has been denied by the highest court from which *certiorari*, reargument or rehearing was sought, and the time to take any further appeal, petition for *certiorari* or move for reargument or rehearing has expired; provided, however, that the possibility of a timely motion under Bankruptcy Rule 9024 or any applicable analogous rule being filed with respect to such order shall not prevent the order from being a Final Order.

55. "First Lien Agent" means Barclays Bank PLC, as administrative agent under that Certain First Lien Credit Agreement, dated February 27, 2007, as amended, supplemented or otherwise modified, by and among LandSource Holding Company, LLC, as borrower, LandSource Communities and various financial institutions and other Persons party thereto from to time as lenders thereunder.

56. "First Lien Claims" means the First Lien Secured Claims and the First Lien Deficiency Claims.

57. "First Lien Claim Equity Interest" means, as of the Effective Date, up to 85% of the common units of Reorganized LandSource Communities, *less* the Valencia Water Company Interest Distribution, *less* the Lennar Option and subject to dilution due to the Rights Offering and the Management Co. Equity Interests.

58. "First Lien Deficiency Claims" means the Unsecured Claims of and obligations owing to the lenders with respect to the Roll-Up Facility to the extent that the value of the DIP Loan Collateral is not sufficient to satisfy in full the First Lien Claims in such amount, as determined at or before the Confirmation Hearing. The First Lien Deficiency Claims are Allowed pursuant to this Plan and shall be deemed Unsecured Class 4 Claims. The Administrative Agent shall act as Paying Agent for the First Lien Deficiency Claims.

59. "First Lien Secured Claims" means the Secured Claims of and obligations owing to the lenders with respect to the Roll-Up Facility in such amount, to be determined at or before the Confirmation Hearing, equal to the value of the DIP Loan Collateral. The First Lien Secured Claims are Allowed pursuant to this Plan. The Administrative Agent shall act as Paying Agent for the First Lien Secured Claims.

60. "Future Bonds" shall have the meaning set forth in Article VIII.D of the Plan.

61. "Holder" means the legal or beneficial Holder(s) of a Claim or Interest (and, when used in conjunction with a Class or type of Claim or Interest, means a Holder of a Claim or Interest in such Class or of such type).

62. "Impaired" means, with respect to any Class of Claims or Interests, that such Class is impaired as provided in section 1124 of the Bankruptcy Code.

63. "Intercompany Interest" means any Interest in any of the Debtors, within the meaning of section 101(16) of the Bankruptcy Code, held by another Debtor.

64. "Interest" means any (a) equity security of a Debtor, within the meaning of section 101(16) of the Bankruptcy Code, including all issued, unissued, authorized or outstanding shares of stock together with any warrants, options or contractual rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto and (b) partnership, limited liability company or similar interest in a Debtor.

65. "LandSource Communities" means LandSource Communities Development LLC, a Debtor.

66. "Lennar" means a direct or indirect wholly owned subsidiary of Lennar Corporation formed to hold the Lennar Equity Interest.

67. "Lennar Acquired Assets" means the acquisition by Lennar, pursuant to the Plan, of (a) Mare Island, (b) Kingwood/Royal Shores, (c) LLP II HCC Holdings, LLC and its interests in Lennar Bridges, LLC and HCC Investors, LLC, (d) Placer Vineyard and (e) the LNR Excess G&A Claims provided that any payment made on account of the LNR Excess G&A Claims in excess of an amount agreed to by the Administrative Agent and Lennar shall be turned over to the Holders of the First Lien Secured Claims and distributed to such Holders in accordance with the provisions of this Plan.

68. "Lennar Claims" means all Claims held by any Lennar Entity against any Debtors, excluding any Interests in LandSource Communities. Lennar Claims shall be Class 4 Unsecured Claims.

69. "Lennar Released Claims" means all Claims or Causes of Action held by any of the Debtors against any Lennar Entity that are subject to the security interests and liens of the Holders of First Lien Claims, including, but not limited to the Excess G&A Claim against the Lennar Entities, but specifically excluding any Avoidance Actions and claims for actual fraud against the Lennar Entities.

70. "Lennar Entities" means Lennar Corporation; Lennar Homes of California, Inc.; Lennar Renaissance, Inc.; Lennar Communities Nevada, Inc.; Lennar Communities, Inc.; Lennar Communities Development, Inc.; U.S. Home Corporation; Lennar Fresno, Inc.; Lennar Reno, LLC; Lennar Homes, Inc.; Centex Lennar NFL Town Center South, LLC; Lennar Homes, LLC; MS Rialto Residential Holdings, LLC; Lennar Sales Corp.; and Lennar Homes of Texas Land and Construction Co., Ltd.

71. "Lennar Equity Interest" means, as of the Effective Date, 15% of the common units of Reorganized LandSource Communities on a fully diluted basis, subject to dilution due to the Management Co. Equity Interest.

72. "Lennar Equity Investment" means the $140,000,000 investment in Reorganized LandSource Communities to be made by Lennar on the Effective Date in exchange for the Lennar Equity Interest, the settlement and release of the Lennar Released Claims and the Lennar Acquired Assets.

73. "Lennar Purchase Agreement" means the purchase agreement entered into between the Debtors and Lennar, as set forth in the Plan Supplement, pursuant to which Lennar will acquire the Lennar Acquired Assets.

74. "Lennar Option" means the option to be exercised by Lennar on or before April 15, 2009, to agree to purchase up to an additional 10% of the common units of Reorganized LandSource Communities as of the Effective Date, on a fully diluted basis, subject to dilution due to the Management Co. Equity Interest, in exchange for $55,000,000 to be paid on the Effective Date, which option may be assigned, in whole or in part, to California Public Employees' Retirement System subject to any and all rights of the common units, including, but not limited to, voting rights. If Lennar shall agree to purchase less than 10% of the common units of Reorganized LandSource Communities the $55,000,000 will be reduced on a pro rata basis.

75. "Litigation Trust" means the trust established pursuant to Article IX of the Plan.

76. "Litigation Trust Agreement" means the agreement governing the formation and conduct of the Litigation Trust as set forth in the Plan Supplement.

77. "Litigation Trust Expenses" means all costs, expenses and obligations incurred by the Litigation Trustee and its agents, employees and professionals in administering the Litigation Trust or in any manner connected, incidental or related thereto, including but not limited to the fees and expenses of professionals retained by the Litigation Trust to assist in carrying out its post-Effective Date duties pursuant to this Plan and the Litigation Trust Agreement.

78. "Litigation Trust Proceeds" means the actual consideration, if any, received by the Litigation Trust as a result of any judgment, settlement or compromise of any of the Avoidance Actions, *less* the Administrative Costs and *less* the Litigation Trust Expenses.

79. "Litigation Trustee" means the Person selected by the Proponent to act as trustee for the Litigation Trust in accordance with the Litigation Trust Agreement, as set forth in the Plan Supplement. The Litigation Trustee shall be the Paying Agent for the Unsecured Claims.

80. "Local Rules" means the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, as amended, as applicable to the Chapter 11 Cases.

81. "LNR Excess G&A Claims" means those Excess G&A Claims against LNR NWHL Holdings, Inc. and LNR Land Partners Sub, LLC that could have been asserted by the Debtors (or by the Holders of the First Lien Claims on account of their liens against such Claims).

82. "Management Agreement" means that certain agreement by and between Management Co. and Reorganized LandSource Communities (or one or more of the other Reorganized Debtors) as set forth in the Plan Supplement.

83. "Management Co." means a management company to be formed, prior to or as of the Effective Date, for the purpose of managing the day-to-day affairs of the Reorganized Debtors pursuant to the Management Agreement.

84. "Management Co. Equity Interest" means the equity securities of Reorganized LandSource Communities, if any, granted to Management Co. pursuant to the Management Agreement.

85. "Mid-Term AFR Rate" means the mid-term applicable federal rate for an annual compounding period for purposes of section 1274(d) of title 26 of the United States Code, in effect for the month in which the Confirmation Date occurs, as prescribed in the applicable revenue ruling issued by the Internal Revenue Service of the United States Department of the Treasury.

86. "Oversubscription Units" means the amount of Rights Offering Units available for purchase by a Rights Offering Participant pursuant to the Primary Subscription, which shall be determined by multiplying the Primary Allocable Units by such amount as determined by the Proponent.

87. "Paying Agent" means the following Persons that shall receive Distributions from the Distribution Agent and shall be responsible for making Distributions to the Holders of Allowed Claims, as applicable, pursuant to the provisions of this Plan: (a) for the DIP Revolver Claims and the First Lien Claims, the Administrative Agent, (b) for the Second Lien Claims, the Second Lien Administrative Agent, (c) for the Unsecured Creditors, the Litigation Trustee or (d) such other agent(s) contractually authorized and/or obligated to make distributions to Holders of certain Claims, and similar intermediaries and agents participating in making or conveying Distributions as required by this Plan.

88. "Person" means a person, as defined in section 101(41) of the Bankruptcy Code, including any individual, corporation, partnership, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any political subdivision thereof.

89. "Plan" means this chapter 11 plan, either in its present form or as it may be altered, amended or modified from time to time, and the Plan Supplement.

90. "Plan Supplement" means the compilation of documents and forms of documents specified in this Plan that shall be filed with the Clerk of the Bankruptcy Court as provided in Article I.C below, and which shall be considered a part of this Plan for all purposes.

91. "Primary Allocable Units" means the amount of Rights Offering Units available for purchase by a Rights Offering Participant pursuant to the Primary Subscription, which shall be determined by multiplying the Rights Offering Units by a fraction, the numerator of which is such Rights Offering Participant's aggregate First Lien Claim and the denominator of which is the aggregate of all First Lien Claims.

92. "Primary Subscription" means the participation in the Rights Offering by a Rights Offering Participant through the purchase of its Primary Allocable Units and Oversubscription Units.

93. "Priority Non-Tax Claim" means any Claim (other than an Administrative Expense Claim, a Fee Claim, a DIP Revolver Loan Claim or a Priority Tax Claim) that is entitled to priority pursuant to section 507(a) of the Bankruptcy Code.

94. "Priority Tax Claim" means any Claim that is entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.

95. "Proponent" means the Administrative Agent.

96. "Proof of Claim" means a written statement describing the basis and amount of a Claim or Interest, together with all supporting evidence for such Claim or Interest (if any), which complies with the provisions of this Plan, the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, the Bar Date Order or any other Final Order of the Bankruptcy Court, as applicable.

97. "Pro Rata Share" means, with respect to any Claim in a given Class, on any date, the quotient of (a) the Allowed Amount of such Claim as of such date, over (b) the sum of (i) the aggregate Allowed Amount of all Claims in such Class as of such date, and (ii) the Disputed Claims Reserve, if any, for such Class as of such date.

98. "Releasees" means the Debtors, the Administrative Agent, the First Lien Administrative Agent, the Distribution Agent, the Subscription Agent, the Paying Agent, the Steering Committee, current and former Holders of the DIP Revolver Loan Claims and the current and former Holders of the First Lien Claims, and each of their respective former, current and future Affiliates, members, officers, directors, employees, consultants, agents, advisors, attorneys, accountants, financial advisors, other representatives and professionals, in their official and individual capacities, and each of their respective successors, executors, administrators, heirs and assigns or any Persons controlling or controlled by any of the foregoing. "Releasees" expressly excludes Lennar, the Lennar Entities and each of their respective former, current and future Affiliates, members, officers, directors, employees, consultants, agents, advisors, attorneys, accountants, financial advisors, other representatives and professionals, in their official and individual capacities, and each of their respective successors, executors, administrators, heirs and assigns or any Persons controlling or controlled by any of the foregoing.

99. "Reorganized Debtors" means the Debtors, including LandSource Communities, on and after the Effective Date.

100. "Reorganized LandSource Communities" means LandSource Communities only on and after the Effective Date.

101. "Reorganized LandSource LLC Agreement" means that certain limited liability company agreement (or similar agreement) of Reorganized LandSource Communities to be included in the Plan Supplement and effective as of the Effective Date.

102. "Revolver Facility" means the revolving credit, letter of credit and swingline facilities described in Sections 2.01, 2.19 and 2.22 of the DIP Credit Agreement.

103. "Rights Offering" means an offering of the Rights Offering Units for the Rights Offering Amount to the Rights Offering Participants.

104. "Rights Offering Amount" means such amount, as determined by the Administrative Agent and the Steering Committee, to be necessary to fund the Plan and provide working capital to the Reorganized Debtors post-Effective Date.

105. "Rights Offering Participant" means those Holders of First Lien Secured Claims that are accredited investors as that term is defined in Regulation D promulgated under the Securities Act of 1933, as amended.

106. "Rights Offering Units" means such common units of Reorganized LandSource Communities representing a certain percentage of Reorganized LandSource, as determined by the Proponent prior to the entry of the Disclosure Statement Order, of the outstanding units in Reorganized LandSource Communities as of the Effective Date.

107. "Roll-Up Facility" means that certain term loan facility described in Section 2.02 of the DIP Credit Agreement.

108. "Schedules" means the schedules of the Debtors' assets and liabilities and the statements of the Debtors' financial affairs filed with the Bankruptcy Court on or about September 2-4, 2008, and any other schedules and statements filed pursuant to sections 521(a) or 1106(a)(2) of the Bankruptcy Code, in each case as such schedules and statements have been and may be amended and supplemented from time to time in accordance with Bankruptcy Rule 1009.

109. "Second Lien Administrative Agent" means The Bank of New York, as successor administrative agent under that certain Second Lien Credit Agreement.

110. "Second Lien Claims" means all Claims of and obligations owing to the lenders under the Second Lien Credit Agreement and all Claims (if any) owing to such lenders pursuant to the Final DIP Order. The Second Lien Claims are Allowed pursuant to this Plan and shall be deemed Unsecured Class 4 Claims. The Second Lien Administrative Agent shall act as Paying Agent for the Second Lien Claims.

111. "Second Lien Credit Agreement" means that certain Second Lien Credit Agreement, dated February 27, 2007, by and among LandSource Holding Company, LLC, as borrower, LandSource Communities, the lenders party thereto, the Second Lien Administrative Agent and all other Persons a party thereto, including all related documents, as amended, supplemented or otherwise modified from time to time.

112. "Secured Claim" means, pursuant to section 506 of the Bankruptcy Code, that portion of a Claim that is (a) secured by a valid, perfected and enforceable security interest, lien, mortgage or other encumbrance that is not subject to avoidance under applicable bankruptcy or non-bankruptcy law, in or on any Estate Assets or other property or interests in property of the Debtors, but only to the extent of the value of the Holder of such Claim's interest in the Estates'

interest in such property, or (b) Allowed as such pursuant to the terms of this Plan (subject to the Confirmation Order becoming a Final Order).

113. "Senior Permitted Lien Claim" means a Secured Claim secured by a security interest, lien, mortgage or other encumbrance in or on some or all of the DIP Loan Collateral, but only to the extent such security interest, lien, mortgage or other encumbrance is of a priority senior to the security interest, lien, mortgage or other encumbrance, as applicable, in or on such DIP Loan Collateral securing such Claims under the DIP Credit Agreement.

114. "Steering Committee" means the lenders set forth on Exhibit A hereto.

115. "Subscription Accounts" means one or more trust accounts, escrow accounts, treasury accounts or similar segregated accounts established by the Subscription Agent to receive and hold payments of the Subscription Purchase Price.

116. "Subscription Agent" means such Person designated by the Proponent to administer the Rights Offering.

117. "Subscription Expiration Date" means the Voting Deadline Date.

118. "Subscription Form" means the subscription form(s) and applicable instructions and instruments included on the ballot sent to each Holder of First Lien Secured Claims.

119. "Subscription Purchase Price" means the total amount owed by each Rights Offering Participant for such Rights Offering Participant's Rights Offering Units pursuant to the Rights Offering.

120. "Subscription Purchase Price Payment Date" means the Voting Deadline Date.

121. "Subscription Rights" means each Rights Offering Participant's allocable share of the Rights Offering Units pursuant to the Rights Offering.

122. "Turned-Over Distribution" shall have that meaning set forth in Paragraph 21(b) of the Final DIP Order.

123. "Unclaimed Property" means any Cash or other property unclaimed on or after the Distribution Date in respect of the applicable Allowed Claim. Unclaimed Property shall include, without express or implied limitation, (a) checks (and the funds represented thereby) and other property mailed to a Distribution Address and returned as undeliverable without a proper forwarding address; (b) funds for uncashed checks; and (c) checks (and the funds represented thereby) not mailed or delivered because no Distribution Address to mail or deliver such property was available on the applicable Distribution Date.

124. "Unencumbered Assets" means (a) the Valencia Water Company Interests and (b) the Avoidance Actions.

125. "Unencumbered Assets Distribution" means (a) the Valencia Water Company Interest Distribution and (b) the Litigation Trust Proceeds.

126. "Unsecured Claim" means any Claim (or portion thereof) that is not an Administrative Expense Claim, a Fee Claim, a Priority Non-Tax Claim, a Priority Tax Claim, a Senior Permitted Lien Claim or a DIP Revolver Loan Claim.

127. "U.S. Trustee" means the Office of the United States Trustee for the District of Delaware.

128. "Valencia Water Company" means Valencia Water Company, a water company that provides water and other goods and services to certain users in the Santa Clarita Valley, California.

129. "Valencia Water Company Interests" means 100% of the Interests owned by The Newhall Land and Farming Company, a California limited partnership, in Valencia Water Company.

130. "Valencia Water Company Interest Distribution" means common units in Reorganized LandSource Communities equal in value, to be determined on or before the Effective Date, of the Valencia Water Company Interests *less* Administrative Costs.

131. "Voting Deadline Date" means the deadline for submitting acceptances or rejections of the Plan as established in the Disclosure Statement Order.

132. "Voting Procedures" means the procedures established in the Disclosure Statement Order for submitting ballots to cast votes to accept or reject this Plan.

133. "Voting Record Date" means such date established in the Disclosure Statement Order that determines the right of any Person to vote to accept or reject this Plan.

B. Rules of Construction. (a) The words "herein," "hereof," "hereunder," and other words of similar import refer to this Plan as a whole, not to any particular Article, section, subsection or clause, unless the context requires otherwise; (b) whenever it appears appropriate from the context, each term stated in the singular or the plural includes the singular and the plural and each pronoun stated in the masculine, feminine or neuter includes the masculine, feminine and neuter; (c) captions and headings to Articles and sections (and subsections, where applicable) of this Plan are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (d) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply to this Plan unless superseded herein or in the Confirmation Order; (e) any reference in this Plan to an existing document or exhibit means such document or exhibit as it may have been amended, restated, revised, supplemented or otherwise modified as of the Effective Date; (f) in computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006 shall apply; and (g) whenever this Plan provides that a payment or other Distribution shall occur on any date, it shall mean on or as soon as reasonably practicable after such date.

C. Exhibits; Plan Supplement. All exhibits to this Plan shall be contained in the Plan Supplement, which shall be filed with the Clerk of the Bankruptcy Court fifteen (15) days prior to the deadline for filing objections to confirmation of this Plan, or in accordance with such other deadline as may be established in the Disclosure Statement Order or another Final Order of the Bankruptcy Court. Holders of Claims or Interests may also obtain a copy of the Plan Supplement, once filed, by a written request or telephone call to the following:

LandSource Ballot Processing
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, California 90245
Telephone: (866) 381-9100
www.kccllc.net/landsource

ARTICLE II
CLASSIFICATION OF CLAIMS AND INTERESTS AND GENERAL PROVISIONS

A. Claims and Interests Classified. For purposes of organization, voting and all confirmation matters, except as otherwise provided herein, all Claims (other than Administrative Expense Claims, Priority Tax Claims, Fee Claims and DIP Revolver Loan Claims) and all Interests shall be classified as set forth in this Article II.

B. Administrative Expense, Priority Tax, Fee and DIP Revolver Loan Claims. As provided in section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Priority Tax Claims, Fee Claims and DIP Revolver Loan Claims shall not be classified for purposes of voting or receiving Distributions under this Plan. Rather, all such Claims shall be treated separately as unclassified Claims pursuant to Article IV below.

C. Classification of Claims and Interests. This Plan classifies the Claims against and Interests in the Debtors for all purposes as follows:

1. Class 1: Priority Non-Tax Claims
2. Class 2: First Lien Secured Claims
3. Class 3: Senior Permitted Lien Claims
4. Class 4: Unsecured Claims
5. Class 5: Convenience Class Claims
6. Class 6: LandSource Communities Interests
7. Class 7: Intercompany Interests

ARTICLE III
IMPAIRMENT OF
CLASSES OF CLAIMS AND INTERESTS

A. Unimpaired Classes of Claims and Interests. Claims in Class 1 and Class 3 are not Impaired under this Plan.

B. Impaired Classes of Claims and Interests. With the exception of the Classes specified in Article III.A above, all Classes of Claims and Interests are Impaired under this Plan.

ARTICLE IV
PROVISIONS FOR TREATMENT OF UNCLASSIFIED CLAIMS

A. Administrative Expense Claims. All Administrative Expense Claims shall be treated as follows:

1. Time for Filing Administrative Expense Claims. Unless a Final Order of the Bankruptcy Court entered prior to the Effective Date establishes an earlier date with respect to such Claim or Allows such Claim (and no portion of such Claim remains Disputed as of the Effective Date), each Holder of an Administrative Expense Claim must file with the Bankruptcy Court and serve on the Debtors or the Reorganized Debtors, as applicable, and counsel to same, a Proof of Claim with respect to such Administrative Expense Claim so that such Proof of Claim is actually received by each such party on or prior to the Administrative Expense Bar Date. Such Proof of Claim must include, at a minimum, (a) the name and full mailing address (at which notices and payment may be accepted) of the Holder of the Claim, (b) the asserted amount of the Claim, and (c) the basis for the Claim. Failure to file and serve such Proof of Claim timely and properly shall result in the Administrative Expense Claim being forever barred and discharged; provided, however, that an Administrative Expense Claim representing a liability incurred in the ordinary course of business by the Debtors may be paid in the ordinary course of the Debtors' business.

2. Allowance of Administrative Expense Claims. An Administrative Expense Claim with respect to which a Proof of Claim has been properly filed and served pursuant to Article IV.A.1 above shall become an Allowed Administrative Expense Claim in the Allowed Amount: (a) one hundred and eighty (180) days after the Administrative Expense Bar Date if no objection to such Claim is filed with the Bankruptcy Court within such one hundred and eighty (180) day period unless such date is extended by the agreement of the Reorganized Debtors and applicable Holder of an Administrative Expense Claim or (b) if an objection is filed within such one hundred and eighty (180) day period (and is not withdrawn), only to the extent allowed by Final Order of the Bankruptcy Court.

3. Payment of Allowed Administrative Expense Claims. Except to the extent a Holder of an Administrative Expense Claim agrees to less favorable treatment, each Holder of an Allowed Administrative Expense Claim shall receive the Allowed Amount of such Claim in one Cash payment on the first Distribution Date after such Claim becomes Allowed as provided in Article IV.A.2 above.

B. Fee Claims. All Fee Claims shall be treated as follows:

1. Time for Filing Fee Claims. Except as provided in the Final DIP Order, and unless a Final Order of the Bankruptcy Court entered prior to the Effective Date establishes an earlier date with respect to such Claim or Allows such Claim (and no portion of such Claim remains Disputed as of the Effective Date), each professional Person who holds or asserts a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court and serve on all parties required to receive notice of filings in the Chapter 11 Cases a Fee Application within sixty (60) days after the Effective Date. The failure to file and serve such Fee Application timely and properly shall result in the Fee Claim being forever barred and discharged. To the extent necessary to give effect to this Article IV.B, entry of the Confirmation Order shall amend and supersede any previously entered order of the Bankruptcy Court regarding procedures for the payment of Fee Claims, other than the Final DIP Order.

2. Allowance of Fee Claims. A Fee Claim, with respect to which a Fee Application has been properly filed and served pursuant to Article IV.B.1 above, shall become an Allowed Fee Claim only to the extent allowed by Final Order of the Bankruptcy Court, and shall be paid in accordance with such Final Order.

C. Priority Tax Claims. Each Holder of an Allowed Priority Tax Claim shall receive, at the sole option of the Debtors, with the Consent of the Proponent, or the Reorganized Debtors, as applicable: (a) the Allowed Amount of such Claim in one Cash payment on the Distribution Date; (b) the Allowed Amount of such Claim *plus* interest accrued at the Mid-Term AFR Rate (compounding annually), in equal annual cash payments on each anniversary of the Effective Date, until the last anniversary of the Effective Date that precedes the fifth (5th) anniversary of the Commencement Date; or (c) such other treatment as may be agreed upon in writing by the Debtors or the Reorganized Debtors, as applicable, and such Holder.

D. DIP Revolver Loan Claims. Except to the extent the Holders of the DIP Revolver Loan Claims agree to a different treatment, the Administrative Agent, for the benefit of each Holder of a DIP Revolver Loan Claim, shall be paid the aggregate Allowed Amount of the DIP Revolver Loan Claims in full in Cash on the Distribution Date.

ARTICLE V
PROVISIONS FOR TREATMENT OF CLAIMS AND INTERESTS CLASSIFIED IN THE PLAN

A. Class 1: Priority Non-Tax Claims.

1. Treatment: Except to the extent a Holder of a Priority Non-Tax Claim agrees to less favorable treatment, each Holder of an Allowed Priority Non-Tax Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.

2. Status: Class 1 is not Impaired. The Holders of the Claims in Class 1 are deemed to accept this Plan and, accordingly, are not entitled to vote to accept or reject this Plan.

B. Class 2: First Lien Secured Claims.

1. Treatment: Each Holder of a First Lien Secured Claim shall: (a) receive its Pro Rata Share of the First Lien Claim Equity Interests; (b) be paid its Pro Rata Share of the proceeds of the LNR Excess G&A Claims in excess of such amount agreed to by the Administrative Agent and Lennar; and (c) receive the right to participate in the Rights Offering. All Distributions to be made to Holders of First Lien Secured Claims pursuant to this Article V.B shall be made to the Administrative Agent for the benefit of such Holders. Each Holder of a First Lien Secured Claim receiving a First Lien Claim Equity Interest will be subject to the rights and obligations applicable to such Holder in the Reorganized LandSource LLC Agreement, including with respect to transfer restrictions set forth therein.

2. Status: Class 2 is Impaired. The Holders of Claims in Class 2 are entitled to vote to accept or reject this Plan.

C. Class 3: Senior Permitted Lien Claims.

1. Treatment: Except to the extent a Holder of a Senior Permitted Lien Claim agrees to less favorable treatment, each Holder of an Allowed Senior Permitted Lien Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.

2. Status: Class 3 is not Impaired. The Holders of the Claims in Class 3 are deemed to accept this Plan and, accordingly, are not entitled to vote to accept or reject this Plan.

D. Class 4: Unsecured Claims.

1. Treatment: Each Holder of an Allowed Unsecured Claim shall receive its Pro Rata Share of the Unencumbered Assets Distribution, subject to the Turned-Over Distribution. The Litigation Trustee shall hold those common units distributable to the Holders of Allowed Unsecured Claims (other than such common units distributed to the Holders of First Lien Deficiency Claims and Holders of Second Lien Claims) on account of the Unencumbered Assets Distribution, and the Litigation Trustee and each Holder of an Allowed Unsecured Claim shall be subject to the rights and obligations applicable to such Holder in the Reorganized LandSource LLC Agreement, including with respect to transfer restrictions set forth therein.

2. Status: Class 4 is Impaired. The Holders of the Claims in Class 4 are entitled to vote to accept or reject this Plan.

E. Class 5: Convenience Class Claims.

1. Treatment: Each Holder of an Allowed Unsecured Claim shall be paid the Allowed Amount of such Claim in full in Cash on the Effective Date.

2. Status: Class 5 is Impaired. The Holders of the Claims in Class 5 are entitled to vote to accept or reject this Plan.

F. Class 6: LandSource Communities Interests.

1. Treatment: Class 6 consists of all LandSource Communities Interests in the Debtors other than the Intercompany Interests. All Interests in LandSource Communities shall be cancelled on the Effective Date, and the Holders of such cancelled LandSource Communities Interests shall not receive or retain any interest in the Debtors, the Reorganized Debtors, the Estates, the Estate Assets or other property or interests in property of the Debtors or the Reorganized Debtors on account of the LandSource Communities Interests, and shall not be entitled to any Distribution under this Plan on account of the LandSource Communities Interests.

2. Status: Class 6 is Impaired. The Holders of the LandSource Communities Interests in Class 6 are deemed to reject this Plan and, accordingly, are not entitled to vote to accept or reject this Plan.

G. Class 7: Intercompany Interests.

1. Treatment: Class 7 consists of all Intercompany Interests in the Debtors. The Holders of such Intercompany Interests shall not receive any distribution under the Plan; however, at the option of the Reorganized Debtors, Intercompany Interests may be retained, and the legal, equitable, and contractual rights to which the Holders of such Intercompany Interests are entitled may remain unaltered in order to implement the Plan as set forth in Article VIII.

2. Status: Class 7 is Impaired. The Holders of the Interests in Class 7 are deemed to reject this Plan and, accordingly, are not entitled to vote to accept or reject this Plan.

ARTICLE VI
ACCEPTANCE OR REJECTION OF THE PLAN

A. Each Impaired Class Entitled to Vote Separately. Each Impaired Class of Claims that is to receive a Distribution under this Plan shall be entitled to vote separately to accept or reject this Plan. Except as provided in Article VI.C below, each Person that, as of the Voting Record Date, holds a Claim in an Impaired Class shall receive a ballot which will be used to cast its vote to accept or reject this Plan.

B. Acceptance by a Class of Claims. An Impaired Class of Claims shall be deemed to accept this Plan if this Plan is accepted by Holders of Claims in such Class that hold at least two thirds (⅔) in amount and more than one-half (½) in number of the Claims of such Class that have voted to accept or reject this Plan. Pursuant to paragraph 13 of the Final DIP Order, notwithstanding anything to the contrary in the Bankruptcy Code or this Plan, Holders of the First Lien Claims shall be deemed to have accepted this Plan if the treatment of First Lien Claims provided for herein is consented to by Holders of First Lien Claims: (a) constituting fifty percent (50%) or more of the total number of Holders of First Lien Claims (determined as of the Voting Record Date) and (b) holding First Lien Claims the Allowed Amount of which, in the aggregate, is not less than sixty-six and two-thirds percent (66⅔%) of the aggregate Allowed Amount of the First Lien Claims (determined as of the Voting Record Date). For purposes of obtaining the foregoing consent, each Holder of a First Lien Claim shall receive a ballot to

accept or reject the treatment set forth in the Plan and indicate its election to participate in the Rights Offering.

C. Claims and Interests Not Entitled to Vote. The Holder of any Claim that, as of the Voting Record Date: (a) has been Disallowed, (b) is the subject of a pending objection, or (c) was listed on the Schedules as unliquidated in amount, contingent or disputed (if no contrary Proof of Claim with respect to such Claim has been timely filed) or a Proof of Claim with respect to which was filed on or before the Bar Date pursuant to the provisions of the Bar Date Order and such Proof of Claim asserts such Claim as unliquidated in amount, contingent or disputed, shall not be entitled to vote on this Plan, unless on or prior to the Voting Record Date the Bankruptcy Court enters a Final Order directing otherwise; provided, however, that if only a portion of such Claim has been Disallowed, objected to or listed or asserted (as applicable) as unliquidated, contingent or disputed, such Holder shall be entitled to vote the remainder of such Claim in an amount determined pursuant to the Disclosure Statement Order. As provided in Articles V.F.2 and V.G.2 above and section 1126(g) of the Bankruptcy Code, Holders of LandSource Communities Interests and Intercompany Interests are not entitled to vote on this Plan.

D. Cramdown. Because, as provided in Article V.F.2 above and Article V.G.2 above, Classes 6 and 7 are deemed to reject this Plan, the Proponent will seek to have this Plan approved and confirmed by the Bankruptcy Court pursuant to section 1129(b) of the Bankruptcy Code. In the event one or more Impaired Classes of Claims votes not to accept this Plan, and this Plan is not withdrawn as provided in Article XIV.E below, the Proponent may modify the terms of this Plan in order to reallocate value from all Classes at and below the level of the objecting Class(es) of Claims to all Impaired senior Classes and/or the objecting Class(es) of Claims to the extent they deem necessary to make this Plan satisfy the absolute priority rule set forth in section 1129(b) of the Bankruptcy Code, and may make such other modifications or amendments to this Plan as the Proponent deems necessary or desirable. Any such modifications or amendments shall be filed with the Bankruptcy Court and served on all parties in interest entitled to receive notice of the Confirmation Hearing at least three (3) days prior to such hearing. Notwithstanding anything to the contrary in this Plan, this Plan may not be approved or confirmed unless the Holders of First Lien Claims vote to accept this Plan as provided in Article VI.B above.

ARTICLE VII
CLAIMS AND DISTRIBUTIONS

A. Disputed Claims Reserve. For each Class of Claims, the Distribution Agent shall estimate, on or before the Distribution Date, the anticipated aggregate Allowed Amount of all Disputed Claims in such Class as of such date, and shall establish a Disputed Claims Reserve for such Class in an amount sufficient to make the Distributions to Holders of such Disputed Claims (to the extent such Disputed Claims are eventually Allowed at, in the aggregate, the amount estimated by the Reorganized Debtors) that would have been made to the Holders as of such date had the Claims been Allowed as of the Effective Date.

B. Unclaimed Property.

1. Escrow of Unclaimed Property. The Distribution Agent shall hold all Unclaimed Property (and all interest, dividends, and other distributions thereon) for the benefit of the Holders of Claims entitled thereto under the terms of this Plan.

2. Distribution of Unclaimed Property. At the end of one hundred and twenty (120) days following the date that any Cash or other property becomes Unclaimed Property, the Holder of the Allowed Claim theretofore entitled to such Unclaimed Property held pursuant to Article VII.B.1 above shall be deemed to have forfeited such property, whereupon all right, title and interest in and to such property shall be available for Distribution to all other Holders of Allowed Claims unless the Holder of an Allowed Claim entitled to Unclaimed Property makes a request in writing to the Distribution Agent for such property (which request must set forth the Distribution Address for such Holder) prior to the expiration of such period.

C. Distributions to Holders of Claims Generally.

1. No Distribution in Excess of Allowed Amount of Claim. Notwithstanding anything to the contrary herein, no Holder of an Allowed Claim shall receive, in respect of such Claim, Distributions under this Plan in excess of the Allowed Amount of such Claim. For the avoidance of doubt, nothing in this Article VII.C.1 shall affect or limit in any manner the Distributions and other transfers to be made to the Reorganized Debtors on or after the Effective Date pursuant to this Plan, or any issuances of securities or transfers of Cash or other property by the Reorganized Debtors to any Person.

2. Disputed Payments. If any dispute arises as to the identity of a Holder of an Allowed Claim that is to receive any Distribution, the Distribution Agent may, in lieu of making such Distribution to such Person, make such Distribution into an escrow account or otherwise hold such Distribution until the disposition thereof is determined by Final Order of the Bankruptcy Court or by written agreement among the interested parties to such dispute, which written agreement is reasonably acceptable to the Reorganized Debtor.

3. Withholding Taxes. Any federal or state withholding taxes or other amounts required to be withheld under any applicable law shall be deducted and withheld from any Distributions made pursuant to this Plan. All Persons holding Claims shall be required to provide to the Distribution Agent any information necessary to effect the withholding of such taxes. Notwithstanding the foregoing, each Holder of an Allowed Claim that is to receive a Distribution hereunder shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit on account of such Distribution, including withholding tax obligations in respect of in-kind (non-cash) Distributions. Any party issuing an instrument or making an in-kind (non-cash) Distribution under this Plan has the right, but not the obligation, to refrain from making such Distribution until the Person to which the Distribution is to be made has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligation.

4. Timing of Distributions under This Plan. Payments and Distributions in respect of Allowed Claims under this Plan shall be made as provided in this Plan.

5. Distributions after the Effective Date. Distributions made after the Effective Date to Holders of Allowed Claims that are Disputed Claims as of the Effective Date shall be deemed to have been made on the Effective Date. No interest shall accrue or be payable on such Claims or any distributions.

6. Manner of Payments. Any payments to be made by the Distribution Agent pursuant to this Plan shall be made by checks drawn on accounts maintained by the Distribution Agent or its professionals, or by wire transfer if circumstances justify, at the option of the Distribution Agent.

D. Setoffs. Except as otherwise provided in this Plan, the Confirmation Order, or in an agreement approved by a Final Order of the Bankruptcy Court, the Debtors or Reorganized Debtors, as applicable, may, pursuant to applicable law (including section 553 of the Bankruptcy Code), set off against any Distribution amounts related to any Claim (other than a DIP Revolver Loan Claim or a First Lien Claim) before any Distribution is made on account of such Claim (other than a DIP Revolver Loan Claim or a First Lien Claim), any and all of the claims (other than the Released Claims), rights and causes of action of any nature that the Debtors, the Estates or the Reorganized Debtors may hold against the Holder of such Claim; provided, however, that neither the failure to effect such a setoff, the allowance of any Claim hereunder, any other act or omission of the Debtors or the Distribution Agent, nor any provision of this Plan (other than Article X below) shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claims, rights and causes of action that the Debtors or the Reorganized Debtors may possess against such Holder. To the extent the Reorganized Debtors fail to set off against a Holder and seeks to collect a claim from such Holder after a Distribution to such Holder has been made pursuant to this Plan, the Reorganized Debtors, if successful in asserting such claim, shall be entitled to full recovery on the claim against such Holder. Distributions made on account of the DIP Revolver Loan Claims and First Lien Claims shall not be subject to setoff or recoupment under any circumstances.

E. Control of Claims Resolution Process by Reorganized Debtors. After the Effective Date, the Reorganized Debtors shall have the power and sole authority to file and prosecute objections to, or negotiate, settle or otherwise resolve, any and all Disputed Claims in any Class (other than Disputed Class 4 Claims) in accordance with the objection procedures set forth in Article XI below, and the power and sole authority to institute all actions with respect to the Causes of Action (other than actions with respect to the Released Claims), and to prosecute or defend all appeals relating to such objections and Causes of Action on behalf of the Debtors or the Estates.

F. Distributions Under Twenty-Five Dollars. No Distributions of less than twenty-five dollars ($25.00) shall be made by the Distribution Agent to any Holder of an Allowed Claim unless a request therefor is made in writing to the Distribution Agent. If no request is made as provided in the preceding sentence, all such Distributions shall be treated as Unclaimed Property.

G. Fractional Distributions 1. Notwithstanding any other provision of the Plan to the contrary, distributions of fractions of common units in Reorganized LandSource Communities shall not be made, and payments of fractions of dollars by the Reorganized Debtors shall not be required. Whenever any payment of distribution of a fraction of a dollar by

the Reorganized Debtors or fractions of common units of Reorganized LandSource Communities under the Plan would be required, the actual payment or distribution will reflect a rounding of such fraction to the nearest whole dollar or number of common units of Reorganized LandSource Communities (up or down), with half dollars and half common units of Reorganized LandSource Communities being rounded down.

ARTICLE VIII
MEANS FOR IMPLEMENTATION OF THE PLAN

A. Reorganized LandSource Communities. On the Effective Date, Reorganized LandSource Communities shall have no indebtedness for borrowed money and carry at least $105 million cash on its balance sheet after taking into account distributions under the Plan, the Rights Offering and the Lennar Equity Investment.

B. Rights Offering. Pursuant to the Rights Offering, each Rights Offering Participant as of the Voting Record Date will be offered Subscription Rights to purchase its Primary Allocable Units and Oversubscription Units of the Rights Offering Units pursuant to the Subscription Rights. The price of the Rights Offering Units shall be the Subscription Price. Participation in the Rights Offering will be subject to the following procedures:

1. Exercise of Subscription Rights. In order to exercise the Subscription Rights, each Rights Offering Participant must: (a) return a duly completed and executed Subscription Form to the Subscription Agent so that such form is received by the Subscription Agent on or before the Subscription Expiration Date; and (b) pay an amount equal to the Subscription Purchase Price by wire transfer or bank or cashier's check so as to be received by the Subscription Agent on or before the Subscription Purchase Price Payment Date. If the Subscription Agent for any reason does not receive from a given Rights Offering Participant both a timely and duly completed Subscription Form and timely payment of such Holder's Subscription Purchase Price, such Rights Offering Participant will be deemed to have relinquished and waived its right to participate in the Rights Offering.

2. Oversubscription Rights. A Rights Offering Participant may subscribe for its Oversubscription Units if, and only if, it subscribes for all of its Primary Allocable Units. The amount of Rights Offering Units allocated to a Rights Offering Participant shall be finally determined by the Proponent based on the aggregate amount of Primary Allocable Units subscribed by all Rights Offering Participants and the amounts of the Distributions.

3. "Backstop" in Case of Undersubscription. In the event that the Rights Offering is undersubscribed, or if any Rights Offering Participant fails to timely pay all amounts due prior to the Subscription Purchase Price Payment Date, the entire amount of undersubscribed Rights Offering Units shall be purchased by the Backstop Parties.

4. Subscription Period. The Rights Offering will commence on the Mailing Deadline (as defined in the Disclosure Statement Order) and will end on the Subscription Expiration Date, subject to extension by the Proponent.

5. Cancellation. The Rights Offering is subject to cancellation partially or in its entirety upon consummation of a Cancellation Event prior to the Subscription Expiration Date.

6. Transfer of Subscription Rights; Election Irrevocable; Representations and Warranties. Absent the prior written consent of the Proponent, the Subscription Rights may not be sold, transferred, or assigned whether in connection with a sale, transfer, or assignment of the underlying First Lien Secured Claim. Once a Holder of Subscription Rights has properly exercised its Subscription Rights, such exercise shall be irrevocable, subject only to the occurrence of a Cancellation Event. Each Rights Offering Participant that has properly exercised its Subscription Rights represents and warrants that (a) to the extent applicable, it is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization, (b) it has the requisite power and authority to enter into, execute, and deliver the Subscription Form and to perform its obligations thereunder and has taken all necessary action required for the due authorization, execution, delivery, and performance thereunder, and (c) it agrees that the Subscription Form constitutes a valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith, and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

7. Distribution of Rights Offering Units. On, or as soon as practicable after the Effective Date, but subject to extension by the Proponent, the Distribution Agent shall distribute an acknowledgement of Reorganized LandSource Communities of the number of Rights Offering Units acquired by each Rights Offering Participant. The Rights Offering Units shall not be certificated.

8. Payment of the Subscription Purchase Price; No Interest. For Rights Offering Participants that exercise their Subscription Rights in conformity with this Article VIII of the Plan, the Subscription Purchase Price will be deposited and held in one or more Subscription Accounts. The Subscription Accounts will be maintained by the Subscription Agent for the purpose of holding the money for administration of the Rights Offering until the Effective Date or such other later date, at the option of the Proponent. The Subscription Agent will not use such funds for any other purpose prior to such date and shall not encumber or permit such funds to be encumbered with any Lien or similar encumbrance. No interest will be paid to parties exercising Subscription Rights on account of amounts paid in connection with such exercise; provided, however, that, (a) to the extent that any portion of the Subscription Purchase Price paid to the Subscription Agent is not used to purchase Rights Offering Units, the Subscription Agent will return such portion, and any interest accrued thereon, to the applicable Rights Offering Participant within ten (10) Business Days of a determination that such funds will not be used, and (b) if the Rights Offering has not been consummated by the Effective Date, the Subscription Agent will return any payments made pursuant to the Rights Offering, and any interest accrued thereon, to the applicable Rights Offering Participant within ten (10) Business Days thereafter.

9. Fractional Rights. No fractional amounts of Rights Offering Units will be issued. The number of units of Rights Offering Units available for purchase will be rounded down to the nearest unit.

10. Validity of Exercise of Subscription Rights. All questions concerning the timeliness, viability, form, and eligibility of any exercise of Subscription Rights shall be determined by the Proponent, whose good faith determinations absent manifest error shall be final and binding. The Proponent, in its sole discretion, reasonably exercised in good faith, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such times as it may determine, or reject the purported exercise of any Subscription Rights that does not comply with the provisions of the Rights Offering as set forth in the Plan. Subscription Forms shall be deemed not to have been received or accepted until all irregularities have been waived or corrected within such time as the Proponent determines in its sole discretion reasonably exercised in good faith. Neither the Proponent, the Debtors nor the Subscription Agent shall be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Forms or incur any liability for failure to give such notification. Notwithstanding anything to the contrary contained in the Plan, the Proponent reserves the right to modify the Rights Offering based on any adjustments to the amount of the Rights Offering and in order to comply with applicable law, including without limitation modifying the Entities otherwise eligible to be Rights Offering Participants and/or the number of Rights Offering Units available to any Rights Offering Participant.

11. Use of Proceeds. The proceeds of the Rights Offering shall be used by Reorganized Debtors to make distributions under the Plan and for general corporate purposes.

C. Lennar Equity Investment. Lennar shall make the Lennar Equity Investment in exchange for: (a) the Lennar Equity Interests; (b) the settlement and release of all Lennar Released Claims; and (c) transfer of title to the Lennar Acquired Assets.

D. Bonding Capacity. As of the Effective Date, Lennar will maintain certain existing bonds as agreed by Proponent (the "Existing Bonds") for projects owned by the Debtors and in exchange for doing so, the Reorganized Debtors will (a) reimburse Lennar for actual bond premiums coming due and paid by Lennar after the Effective Date up to a maximum of 2% of total bonding capacity (taking into account the Future Bonds) and (b) indemnify Lennar on an unsecured basis for any draws under the Existing Bonds. After the Effective Date, Lennar will provide additional surety and performance bonds (the "Future Bonds") as required by the Reorganized Debtors until the Reorganized Debtors are able to arrange its own bonds on an unsecured basis and comparable terms and pricing and, in exchange for doing so, the Reorganized Debtors shall (a) reimburse Lennar for actual bond premiums up to a maximum of 2% of total bonding capacity (taking into account the Existing Bonds) and (b) indemnify Lennar on an unsecured basis for any draws under the Future Bonds.

E. Lennar Asset Acquisitions. Upon the Effective Date, Lennar or its designee shall take title to and possession of the Lennar Acquired Assets free and clear of all Claims, Liens, encumbrances and Interests, except as otherwise provided in the Lennar Purchase Agreement. Pursuant to section 363(f) of the Bankruptcy Code and the Lennar Purchase Agreement, including any amendments thereto, the transfer of title to the Lennar Acquired Assets shall be

free and clear of any Claim or Interest in or against the Lennar Acquired Assets. Except as otherwise expressly provided for in the Lennar Purchase Agreement, Lennar shall not have any liability or responsibility for any liability or other obligation of the Debtors arising under or related to the Lennar Acquired Assets. The Debtors and the Reorganized Debtors are hereby authorized to take all such actions and execute any agreements that shall be necessary to consummate and give effect to the Lennar Purchase Agreement without further order of the Court.

F. Reorganization of the Debtors. On the Effective Date, each of the Debtors shall be reorganized pursuant to the applicable governance, corporate, limited liability and other documents to be included in the Plan Supplement. On the Effective Date, all right, title and interest in and to the Estate Assets of each Debtor, other than the Avoidance Actions, shall vest fully in the applicable Reorganized Debtor, free and clear of all claims, liens, encumbrances and other liabilities including, without express or implied limitation, Claims against or Interests in the Debtors. All Claims against and Interests in the Debtors shall be classified and treated pursuant to the terms of this Plan. On the Effective Date, all ownership interests in Reorganized LandSource Communities shall vest fully as provided for hereunder, and all ownership interests in each of the other Reorganized Debtors shall vest fully in the Reorganized Debtor or Debtors corresponding to the Debtor or Debtors that held such Debtor's ownership interests prior to the Effective Date (in each case, unless the Proponent directs otherwise), in each case free and clear of all claims, liens, encumbrances and other liabilities including, without express or implied limitation, Claims against or Interests in the Debtors. Notwithstanding anything to the contrary in this Article VIII.F, the Proponent may provide for the merger, consolidation, divestiture or other reorganization of the legal structure of the Debtors, to be effected on the Effective Date. Such reorganization shall be set forth in a document or documents to be included in the Plan Supplement. Notwithstanding that, pursuant to this Plan, the Debtors are being reorganized as provided herein, such reorganization is intended to facilitate the sale or other disposition of the Estate Assets in the time and manner determined by the Proponent.

G. Corporate (or Equivalent) Action. The entry of the Confirmation Order shall constitute authorization for the Debtors to take or cause to be taken all corporate, limited liability or other actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court. On the Effective Date, adoption by the Reorganized Debtors of their amended articles of incorporation, partnership agreements, operating agreements or other similar documents, as applicable, shall be deemed to have occurred. All such actions shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action by the partners, stockholders, administrators, agents, officers or directors of the Debtors. On the Effective Date, the Debtors and the Reorganized Debtors shall be authorized to execute and deliver the agreements, documents and instruments contemplated by the Plan in the name and on behalf of the Debtors and to take all necessary and appropriate actions to effectuate the transactions contemplated by the Plan.

H. Other Documents and Actions. The Debtors and Reorganized Debtors are authorized to execute such documents and take such other actions as may be necessary to effectuate the transactions provided for in the Plan.

I. Operations Between the Confirmation Date and the Effective Date. The Debtors shall be authorized and entitled to operate their businesses and conduct their affairs as the Debtors believe to be necessary or appropriate and as necessary to implement the Plan.

J. Obligations Incurred After the Confirmation Date. Payment obligations incurred after the date and time of entry of the Confirmation Order, including without limitation, the Professional Fees of the Debtors (and of the Committee and its Professionals through the Effective Date) will not be subject to application or proof of claim and may be paid by the Debtors in the ordinary course of business and without further Bankruptcy Court approval.

K. Board of Managers of Reorganized Debtors. The Board of Managers of the Reorganized Debtors shall consist of those Persons designated by the Proponent with the detailed qualifications of each such proposed Person to be disclosed in the Plan Supplement.

L. Management. From and after the Effective Date, the Reorganized Debtors shall be managed by Management Co. pursuant to the terms of the Management Agreement.

M. Conditions to Confirmation. Prior to commencement of the Confirmation Hearing, the following amounts shall have been paid into an escrow account established by the Proponent:

(a) the Lennar Equity Investment;

(b) the proceeds of the Rights Offering; and

(c) the proceeds of the exercise of the Lennar Option, if applicable.

N. Conditions Precedent to the Effective Date. On or before the Effective Date, the following actions shall be undertaken and shall be deemed to have occurred simultaneously (and no such action shall be deemed to have occurred prior to the taking of any other such action), and all such actions shall be conditions precedent to the effectiveness of this Plan:

(a) Holders of the First Lien Claims shall have been deemed to accept this Plan as provided in Article VI.B above.

(b) All payments and transfers to be made on the Effective Date shall be made or duly provided for, and the Debtors shall have sufficient Cash on such date to make such payments.

(c) The Bankruptcy Court shall have entered the Disclosure Statement Order and the Confirmation Order, each in form and substance consistent with this Plan and acceptable to the Proponent, and neither the Disclosure Statement Order nor the Confirmation Order shall have been reversed, modified or amended in any material respect prior to the Effective Date.

(d) The Lennar Equity Investment, the proceeds of the Rights Offering and the proceeds of the exercise of the Lennar Option, if applicable, shall be released from escrow.

(e) All licenses, permits and regulatory approvals necessary for the ownership and operation of the Debtors' Assets, to the extent issued prior to the Effective Date, shall have been assigned to, issued to, or obtained by the Reorganized Debtors for their benefit.

(f) The Confirmation Order shall:

(i) expressly approve the terms and provisions of this Plan, and find that they comply with section 1129 of the Bankruptcy Code;

(ii) find that all Holders of Claims and Interests, and all other parties in interest, were duly given notice of, and an opportunity to be heard in connection with, the Chapter 11 Cases and this Plan, pursuant to and in satisfaction of the applicable provisions of the Bankruptcy Code;

(iii) set forth and approve the identity of the Litigation Trustee as trustee of the Litigation Trust;

(iv) set forth the Administrative Expense Bar Date and the Distribution Record Date;

(v) provide for transfer of the Estate Assets of the Debtors (other than the Avoidance Actions) to the respective Reorganized Debtors, and the ownership interests in each of the Reorganized Debtors, other than Reorganized LandSource Communities, to the applicable Reorganized Debtor or Debtors (in each case, unless the Proponent directs otherwise), as applicable, on the Effective Date, free and clear of all Claims, liens, interests, encumbrances and other liabilities including, without express or implied limitation, Claims against or Interests in the Debtors, to the full extent allowed pursuant to sections 105, 363, 1123, 1129 and 1141 of the Bankruptcy Code, except as otherwise provided in this Plan;

(vi) provide for the assumption on the Effective Date of the Effective Date Assumed Contracts in accordance with Article XIII.A.

(vii) provide for the rejection of all executory contracts and unexpired leases one hundred and eighty (180) days after the Effective Date (unless such deadline is extended by Final Order of the Bankruptcy Court), other than a contract or lease that (A) is expressly assumed by the Debtors or the Reorganized Debtors, as applicable, pursuant to a Final Order of the Bankruptcy Court entered prior to such date or is subject to a separate motion to assume pending before the Bankruptcy Court on such date, (B) is specifically designated by the Debtors as an Effective Date Assumed Contract, or (C) expires, terminates or otherwise becomes non-executory prior to such date;

(viii) provide for the allowance of the DIP Revolver Loan Claims, the First Lien Claims and the Second Lien Claims in the Allowed Amounts provided herein;

(ix) authorize and direct holders of Claims or Interests in the Debtors to take or cause to be taken, on or prior to the Effective Date, all actions that are necessary to implement effectively the provisions of this Plan. Moreover, the Confirmation Order shall empower, authorize and direct the Debtors to consummate the transactions contemplated by this Plan on or after the Effective Date;

(x) provide that, upon the Effective Date, the Reorganized Debtors shall be vested with the rights and powers granted to the Debtors pursuant to section 1107(a) of the Bankruptcy Code with respect to the allowance, treatment or avoidance of liens, Claims or Interests that remain unresolved as of the Effective Date (other than Disputed Class 4 Claims);

(xi) provide that the Estate Assets shall be and remain free and clear of the liens, Claims, and Interests of any Person other than as provided in this Plan, and no Person shall be permitted to execute against or receive Distributions except in accordance with the terms of the Confirmation Order and this Plan;

(xii) provide that all transfers of money or property by the Debtors or the Litigation Trust, or the issuance, transfer, release or exchange of a security, or the making or delivery of any instrument of transfer, including the transfer of the Estate Assets of the Debtors to the Reorganized Debtors and the issuance of equity of the Reorganized Debtors, are an integral part of this Plan and shall be deemed to be made under this Plan pursuant to section 1129 of the Bankruptcy Code, and that all appropriate taxing entities shall not impose any tax under any law imposing a stamp tax or similar tax based on the issuance, transfer, or exchange of a security, or the making or delivery of any instrument of transfer or release, as contemplated by this Plan, to the full extent allowed by section 1146(a) of the Bankruptcy Code;

(xiii) provide that entry of the Confirmation Order shall not have any res judicata or other preclusive effect with respect to any Causes of Action that are not specifically and expressly released by the terms of this Plan, the Confirmation Order or another Final Order of the Bankruptcy Court entered prior to the Confirmation Hearing (including, without express or implied limitation, the Final DIP Order), and that entry of the Confirmation Order shall not be deemed a bar to asserting such Causes of Action;

(xiv) provide that nothing in this Plan or the Confirmation Order shall modify the provisions of the Final DIP Order except as expressly provided for in this Plan (including as provided in any provision of this Plan that expressly modifies specific provisions of the Final DIP Order) or as expressly consented to by the Administrative Agent;

(xv) approve the releases provided in Article X and cause each of the Debtors, on its own behalf and on behalf of its respective Estate, to deliver to each of the Released Parties a release in substantially the form to be included in the Plan Supplement; and

(xvi) provide that the Lennar Acquired Assets shall be transferred, sold and assigned to the Lennar Entities free and clear of all Claims, liens, interests and encumbrances.

(g) The Effective Date occurs on or before May 31, 2009, unless extended by the Proponent.

O. Waiver of Conditions to Effectiveness. Other than the requirements set forth in subsections (a), (b) and (c) of Article VIII.N above, none of which may be waived, the requirement that a particular condition to the effectiveness of the Plan be satisfied may be waived in whole or part by the Proponent, without notice or a hearing. The failure to satisfy or waive any condition may be asserted by the Proponent regardless of the circumstances giving rise to the failure of such condition to be satisfied (including, without express or implied limitation, any act, action, failure to act or inaction by the Debtors or the Proponent). The failure of the Debtors or the Proponent to assert the non satisfaction of any such conditions shall not be deemed a waiver of any other rights hereunder, and each such right shall be deemed an ongoing right that may be asserted or waived (as set forth herein) at any time or from time to time.

P. Effect of Nonoccurrence of the Conditions to Effectiveness. If each of the conditions to consummation and the occurrence of the Effective Date has not been satisfied or duly waived on or before the date that is one hundred and eighty (180) days after the Confirmation Date, the Confirmation Order may be vacated by the Bankruptcy Court upon a motion filed by the Proponent. If the Confirmation Order is vacated pursuant to this Article VIII.P, this Plan shall be null and void in all respects, and nothing contained in this Plan shall: (a) constitute a waiver or release of any Claims against or Interests in the Debtors, or (b) prejudice in any manner the rights of the Debtors or the Proponent.

Q. Further Authorization. So long as not inconsistent with the terms of the Plan or the Confirmation Order, the Debtors and the Proponent shall be entitled to seek such orders as each deems necessary to carry out and further the intentions and purposes, and to give full effect to the provisions, of this Plan.

R. Deemed Consolidation for Voting and Distribution Purposes. Any Claim asserted against any of the Debtors or any of the Estates will be deemed to be a Claim asserted against the consolidated Debtors and Estates for voting and distribution purposes under this Plan, Holders of Claims shall be entitled to the Distributions provided for in this Plan without regard to which Debtor was liable (or is asserted to have been liable) for such Claim prior to the Effective Date, and all transfers, disbursements and Distributions made pursuant to this Plan by or on behalf of any of the Debtors will be deemed to be made by or on behalf of the consolidated Debtors. Accordingly, all guarantees by any of the Debtors of the obligations of any other Debtor will be deemed eliminated so that any Claim against any Debtor and any guarantee by any other Debtor of such Claim, and any joint or several liability of any other Debtor for such Claim, shall be

deemed to be one (1) obligation of the consolidated Debtors for voting and distribution purposes under this Plan.

The deemed consolidation of the Debtors is for voting and distribution purposes only, and nothing provided for in this Plan shall: (a) effect a merger of any assets of the Debtors or effect a merger of the Estates for purposes of this Plan, (b) affect the legal or corporate structure of any of the Debtors or (c) affect any guarantees that are to be maintained after the Effective Date (i) in connection with an executory contract or unexpired lease assumed by the Debtors (unless the non-Debtor party to such contract or lease agrees otherwise) or (ii) pursuant to this Plan, the Confirmation Order, another Final Order of the Bankruptcy Court or a written agreement between the applicable beneficiary of such guarantee and the Debtors, as applicable.

ARTICLE IX
LITIGATION TRUST

A. Establishment of Litigation Trust. On the Effective Date, the Litigation Trust shall be established pursuant to the Litigation Trust Agreement and other documents to be included in the Plan Supplement. On or after the Effective Date, the Avoidance Actions shall be transferred to, and shall fully vest in, the Litigation Trust, free and clear of all claims, liens, encumbrances and other liabilities, including all Claims against and Interests in the Debtors, with all Litigation Trust Proceeds to be distributed in accordance with the provisions of this Plan.

B. Prosecution of the Avoidance Actions. The Litigation Trust may commence adversary or other legal proceedings to pursue the Avoidance Actions to the extent not settled or resolved prior to the Effective Date or pursuant to this Plan. The Litigation Trust Proceeds recovered through any such proceeding shall be deposited in the Litigation Trust and be distributed in accordance with the provisions of this Plan.

C. Prosecution of Class 4 Claim Objections. The Litigation Trust shall have the sole authority to prosecute any objections to Disputed Class 4 Claims in accordance with Article XI of the Plan.

D. Investments of Cash. Except as otherwise provided in this Plan, all Cash held by the Litigation Trust shall be invested by the Litigation Trustee with sole and absolute discretion in only (a) direct obligations of, or obligations guaranteed by, the United States; (b) obligations of any agency or corporation which is or may hereafter be created by or pursuant to an act of the Congress of the United States, as an agency or instrumentality thereof; (c) AAA rated tax-free securities issued by municipalities or state governments or agencies; or (d) such other obligations or instruments as may from time to time be approved for such investments by Final Order of the Bankruptcy Court; provided, however, that the Litigation Trustee may, to the extent it deems necessary, deposit moneys in demand deposits (including money market funds) at any commercial bank, trust company or other financial institution organized under the laws of the United States or any state thereof which has, at the time of such deposit, a capital stock and surplus aggregating at least $500,000,000. The investment powers of the Litigation Trustee shall be limited to powers to invest in demand and time deposits, such as short-term certificates of deposit, in banks or other savings or financial institutions, or other temporary, liquid investments such as U.S. Treasury Bills. Such investments shall mature in such amounts and at such times as

may be deemed necessary by the Litigation Trustee, with sole and absolute discretion, to provide funds when needed to make Distributions and payments as required by this Plan.

E. Litigation Trust Expenses.

1. All Litigation Trust Expenses shall be charged against and paid from the proceeds of the Avoidance Actions, and the Litigation Trustee shall pay the same as and when due and payable.

2. Counsel and any other professionals retained by the Litigation Trust shall submit periodic statements for services rendered and costs incurred to the Proponent for review and approval. The Litigation Trustee shall have thirty (30) days to object to any such statement. In the event that any such objection is received by the relevant professional and cannot be promptly resolved by such professional and the Litigation Trustee, the dispute shall be submitted by the Litigation Trustee to the Bankruptcy Court for adjudication. The Bankruptcy Court shall retain jurisdiction to adjudicate any such objection. In the event that no objection is raised to a statement within the thirty (30) day period, such statement shall be promptly paid by the Litigation Trustee, subject to Article IX.E.1 above.

F. Limitation of Liability.

1. No recourse shall ever be had, directly or indirectly, against the Litigation Trustee, its officers or directors, employees or professionals, by legal or equitable proceedings or by virtue of any statute or otherwise, or any deed of trust, mortgage, pledge or note, nor upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by the Litigation Trustee under this Plan or by reason of the creation of any indebtedness by the Litigation Trustee under this Plan for any purpose authorized by this Plan. All such liabilities, covenants, and agreements of the Litigation Trustee, its respective officers, directors, professionals, and employees, whether in writing or otherwise, under this Plan shall be enforceable only against, and shall be satisfied only out of, the assets of the Litigation Trust or such part thereof as shall, under the terms of any such agreement, be liable therefor, or shall be evidence only of a right of payment out of the income and proceeds of the assets of the Litigation Trust, as the case may be. Every undertaking, contract, covenant or agreement entered into in writing by the Litigation Trustee shall provide expressly against the personal liability of the Litigation Trustee.

2. The Litigation Trustee and its officers, employees and professionals shall not be liable for any act they may do, or omit to do hereunder in good faith and in the exercise of their respective best judgment, and the fact that such act or omission was advised, directed or approved by an attorney acting as counsel for the Litigation Trustee shall be conclusive evidence of such good faith and best judgment; provided, however, that this Article IX.F.2 shall not apply to any gross negligence or willful misconduct by the Litigation Trustee or its officers, employees or professionals.

G. Reliance on Documents. The Litigation Trustee may rely, and shall be protected in acting or refraining from acting, upon any certificates, opinions, statements, instruments or

reports believed by it to be genuine and to have been signed or presented by the proper Person or Persons.

H. Requirement of Undertaking. The Litigation Trustee may request any court of competent jurisdiction to require, and any such court may in its discretion require, in any suit for the enforcement of any right or remedy under this Plan, or in any suit against the Litigation Trustee for any act taken or omitted by the Litigation Trustee, that the filing party litigant in such suit undertake to pay the costs of such suit, and such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant.

ARTICLE X
THE RELEASES AND EXCULPATION

A. The Releases.

1. Effective as of the Confirmation Date and except as otherwise provided herein, the Reorganized Debtors and the Releasees shall be deemed to be forever released and discharged, from any and all Claims, obligations, suits, arbitrations, judgments, damages, rights, Causes of Action or liabilities whatsoever, whether for tort, fraud, contract, violations of federal or state securities laws, or otherwise, whether known or unknown, whether foreseen or unforeseen, existing or hereafter arising, held by any Person, based in whole or in part upon any act or omission, transaction, or other occurrence taking place on or before the Effective Date in any way relating to the Debtors, the Chapter 11 Cases, or the Plan, and/or which may have directly or indirectly impacted or affected in any way the value of any Claim or Distribution on a Claim against any of the Debtors. The Confirmation Order will enjoin the prosecution by any Person, whether directly, derivatively or otherwise, of any Claim, debt, right, cause of action or liability which was or could have been asserted against the Releasees. The Plan shall not release the obligations under the Plan.

2. For good and valuable consideration, upon confirmation of the Plan and except as otherwise provided herein, the Debtors will release the Releasees from any and all Claims and Causes of Action, including, without limitation, Avoidance Actions, that the Debtors or their subsidiaries or Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or equity interest or other Person or entity, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence taking place on or before the Confirmation Date.

3. For good and valuable consideration, upon confirmation of the Plan, the Debtors will release the Lennar Entities from the Lennar Released Claims.

B. Exculpation. The Exculpated Persons shall not have or incur any liability to any Person for any act taken or omission made in good faith in connection with or in any way related to the Chapter 11 Cases, negotiating, prosecuting, administering, formulating, implementing, confirming or consummating the Plan, including all activities leading to the promulgation and confirmation of the Plan, the Disclosure Statement (including any information provided or statement made in the Disclosure Statement or omitted therefrom), or any contract, instrument,

release or other agreement or document created in connection with or related to the Plan or the administration of the Debtors or these Chapter 11 Cases. The Exculpated Persons shall have no liability to any creditor for actions taken in good faith under the Plan, in connection therewith or with respect thereto, including, without limitation, failure to obtain consummation of the Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions precedent to Confirmation or to the occurrence of the Effective Date. The Exculpated Persons will not have or incur any liability to any Holder of a Claim or party-in-interest herein or any other Person for any act or omission in connection with or arising out of: (a) administration of the Plan, (b) the implementation of any of the transactions provided for, or contemplated in, the Plan, or (c) any action taken in connection with either the enforcement of the Debtors' rights against any Person or the defense of Claims asserted against the Debtors with regard to the Chapter 11 Cases, except for gross negligence or willful misconduct as finally determined by a Final Order. The Exculpated Persons are entitled to rely on, and act or refrain from acting on, all information provided by other Exculpated Persons without any duty to investigate the veracity or accuracy of such information.

ARTICLE XI
PROCEDURES FOR RESOLVING DISPUTED CLAIMS

A. Objections to Claims. On and after the Effective Date, the Reorganized Debtors shall have the right to the exclusion of all others to make, file and prosecute objections to Disputed Claims (other than Disputed Class 4 Claims). The Reorganized Debtors or the Litigation Trust, as appropriate, shall conduct a review of the Schedules and all Proofs of Claim filed in the Chapter 11 Cases and, except as provided in Article IV.A.2 above, shall file objections to such Claims (if any) with the Clerk of the Bankruptcy Court not later than one hundred and eighty (180) days after the Effective Date, unless such deadline is extended by Final Order of the Bankruptcy Court; provided, however, that, notwithstanding anything to the contrary in this Article XI.A, the Reorganized Debtors or the Litigation Trust, as appropriate, may file objections to any Claim for damages arising from the rejection of an executory contract or unexpired lease pursuant to Article XIII.C below until the date that is sixty (60) days after a Proof of Claim with respect to such Claim is filed and served in accordance with Article XIII.C below. The Reorganized Debtors or the Litigation Trust, as appropriate, may compromise, settle or otherwise resolve the Allowed Amount of any Disputed Claim without further order of the Bankruptcy Court, and such compromise, settlement or other resolution shall constitute a Final Order of the Bankruptcy Court with respect to the allowance of and the Allowed Amount of such Claim for all purposes under this Plan.

B. Disputed Claims. No Distribution shall be made with respect to any Disputed Claim (or any portion of such Claim) unless and until a Final Order allowing such Claim has been entered.

C. Subordination of Claims. Under this Plan, any Claim (other than the DIP Revolver Loan Claims and the First Lien Claims) may be subordinated to other Claims pursuant to section 510 of the Bankruptcy Code. No Distributions shall be made in respect of a subordinated Claim until all Claims to which such Claim has been subordinated have been satisfied in full. Any action to subordinate a Claim shall be filed by the Reorganized Debtors,

the Litigation Trust or another Person with standing to file such action, as appropriate, not later than one hundred and eighty (180) days after the Effective Date, unless such deadline is extended by Final Order of the Bankruptcy Court.

D. Estimation of Claims. The Debtors, Reorganized Debtors or Litigation Trust, as appropriate, may, at any time, request that the Bankruptcy Court estimate the Allowed Amount of any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors, Reorganized Debtors or Litigation Trust, as appropriate, previously had objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Disputed Claim at any time, including during litigation or another proceeding concerning any objection to such Disputed Claim.

E. No Distribution in Respect of Disallowed Claims. To the extent that a Disputed Claim is Disallowed in whole or in part, the Holder of such Claim shall not receive any Distribution on account of the portion of such Claim (including the whole, if applicable) that is Disallowed.

ARTICLE XII
EFFECT OF CONFIRMATION

A. Release of Liens and Cancellation of Instruments.

1. Release of Liens on Estate Assets. Unless a particular Claim is reinstated or left unaltered: (a) each Holder of a Secured Claim or a Claim that is purportedly secured by any or all of the Estate Assets shall, on or immediately prior to the Effective Date, (i) turn over and release to the Debtors any and all Estate Assets that secure or purportedly secure such Claim; and (ii) execute such documents and instruments as the Debtors, the Reorganized Debtors or the Proponent may require to evidence or record (with respect to any liens or security interests recorded in the public records) such Holder's release of such property and of all security interests and liens in and on such property; and (b) on the Effective Date all claims, right, title and interest in and to such property shall revert to the Debtors free and clear of all Claims, including (without express or implied limitation) liens, charges, pledges, encumbrances and/or security interests of any kind. All liens, charges, pledges, encumbrances and/or security interests of any kind of the Holders of such Claims in or on the Estate Assets shall be deemed to be canceled and released as of the Effective Date.

2. Surrender of Securities. Each Holder of a Claim not referenced in Article XII.A.1 above, and each Holder of an Interest (other than the Holder of a Claim or Interest that is to be reinstated pursuant to this Plan) shall surrender to the Debtors or the Reorganized Debtors, as applicable, any note, instrument, document, certificate, subordinated note, agreement, certificated security or other item evidencing such Claim or Interest. On the Effective Date all notes, instruments, documents, certificates, subordinated notes, agreements, certificated securities or other items described in this Article XII.A.2 shall be deemed to be void and of no further force or effect, regardless of whether such note, instrument, document, certificate, subordinated note, agreement, certificated security or other item has been surrendered in accordance with this Article XII.A.2.

3. Effect of Failure to Release Liens. No Distribution hereunder shall be made to or on behalf of any Holder of a Claim unless and until such Holder executes and delivers to the Debtors or the Reorganized Debtors, as applicable, such release and surrender of liens or other items described in this Article XII.A, or demonstrates the non availability of such items to the satisfaction of the Reorganized Debtors, including requiring such Holder to post a lost instrument or other indemnity bond, among other things, to hold the Reorganized Debtors harmless in respect of such lien, instrument or other item described in this Article XII.A and any Distributions made in respect thereof. The Reorganized Debtors may reasonably require the Holder of such Claim to hold the Reorganized Debtors harmless up to the amount of any Distribution made in respect of such unavailable note, instrument, document, certificate, subordinated note, agreement, certificated security or other item evidencing such Claim. Any such Holder that fails to execute and deliver such release of liens or other items described in this Article XII.A or satisfactorily explain their non-availability to the Reorganized Debtors within one hundred and eighty (180) days after the Effective Date shall be deemed to have no further Claim against the Debtors, the Reorganized Debtors or the Estates, or any of their respective property in respect of such Claim, and shall not participate in any Distribution hereunder, and the Distributions that would otherwise have been made to such Holder shall be treated as Unclaimed Property. To the extent any Holder of a Claim described in Article XII.A.1 above fails to release the relevant liens as described in such subsection and in this Article XII.A.3, the Distribution Agent may act as attorney-in-fact, on behalf of such Holder, to provide any releases as may be required.

B. Revesting and Vesting; Retention and Enforcement of Claims. Except as otherwise provided in this Plan, on the Effective Date, all Estate Assets shall vest in the applicable Reorganized Debtor, free and clear of all claims, liens, charges, encumbrances and interests of Claim and Interest Holders.

C. Injunction. Except as otherwise expressly provided for in the Plan or the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including Bankruptcy Code sections 524 and 1141 and provided that the Effective Date occurs, the entry of the Confirmation Order shall permanently enjoin all Persons that have held, currently hold or may hold a Claim or other debt or liability that is subject to the Plan from taking any of the following actions in respect of such Claim, debt or liability: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against either or both of the Debtors or the Reorganized Debtors; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order against either or both of the Debtors or the Reorganized Debtors; (c) creating, perfecting or enforcing in any manner directly or indirectly, any lien or encumbrance of any kind against either or both of the Debtors or the Reorganized Debtors; (d) asserting any setoff, offset, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to either or both of the Debtors or the Reorganized Debtors; and (e) proceeding in any manner in any place whatsoever, including employing any process, that does not conform to or comply with or is inconsistent with the provisions of the Plan.

D. Retention of Causes of Action/Reservation of Rights. Except as set forth in Article X.A above, nothing contained in the Plan or the Confirmation Order shall be deemed to

be a waiver or the relinquishment of any rights or Causes of Action that the Debtors or the Reorganized Debtors may have or which the Reorganized Debtors may choose to assert on behalf of their respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (a) any and all Claims against any Person or entity, to the extent such Person or entity asserts a cross-claim, counterclaim and/or claim for setoff which seeks affirmative relief against the Debtors, the Reorganized Debtors, their officers, directors or representatives, and (b) the turnover of any property of the Estates.

E. Discharge of Claims and Interests. Except as otherwise provided herein, to the fullest extent permitted by applicable law (a) on the Confirmation Date, the Confirmation Order shall operate as a discharge under Bankruptcy Code section 1141(d)(1), and release of any and all Claims, debts (as such term is defined in Bankruptcy Code section 101(12)), liens, security interests and encumbrances of and against all property of each of the Debtors and their affiliates, and each of their former, current and future officers, directors, employees, consultants, agents, advisors, members, attorneys, accountants, financial advisors, other representatives and professionals, in their official and individual capacities (and such Persons shall have all of the benefits and protections set forth in Bankruptcy Code section 1141(d)(1)) that arose before confirmation, including without limitation, any Claim of the kind specified in Bankruptcy Code sections 502(g), 502(h) or 502(i) and all principal and interest, whether accrued before, on or after the Petition Date, regardless of whether (i) a Proof of Claim in respect of such Claim has been filed or deemed filed, (ii) such Claim has been Allowed pursuant to Bankruptcy Code section 502, or (iii) the Holder of such Claim has voted on the Plan or has voted to reject the Plan; and (b) from and after the Confirmation Date, (x) all Holders of Claims shall be barred and enjoined from asserting against the Persons entitled to such discharge pursuant to this Article XII.E any Claims, debt (as defined in Bankruptcy Code section 101(12)), liens, security interests and encumbrances of and against all property of each of the Debtors and (y) the Debtors shall be fully and finally discharged of any liability or obligation on a Disallowed Claim. Except as otherwise specifically provided herein, nothing in the Plan shall be deemed to waive, limit or restrict in any manner the discharge granted upon confirmation of the Plan pursuant to Bankruptcy Code section 1141.

F. Term of Injunctions or Stays. Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under Bankruptcy Code sections 105(a) or 362, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

ARTICLE XIII
EXECUTORY CONTRACTS

A. Assumption of Certain Executory Contracts. On the Effective Date, the Debtors shall assume the Effective Date Assumed Contracts. The Debtors shall include in the Plan Supplement a schedule of all Effective Date Assumed Contracts and, to the extent applicable, the proposed cure amounts with respect to each Effective Date Assumed Contract, all in form and substance acceptable to the Proponent. ANY NON-DEBTOR PARTY TO AN AGREEMENT LISTED ON THE SCHEDULE OF EFFECTIVE DATE ASSUMED CONTRACTS THAT WISHES TO OBJECT TO THE ASSUMPTION AND (IF APPLICABLE) ASSIGNMENT OF

SUCH AGREEMENT OR TO THE PROPOSED CURE AMOUNT WITH RESPECT TO SUCH AGREEMENT AS SET FORTH ON THE SCHEDULE OF EFFECTIVE DATE ASSUMED CONTRACTS MUST FILE AN OBJECTION WITH THE BANKRUPTCY COURT NO LATER THAN FIFTEEN (15) DAYS PRIOR TO THE DATE OF COMMENCEMENT OF THE CONFIRMATION HEARING, AND MUST SERVE SUCH OBJECTION ON THE DEBTORS AND THE PROPONENT. IF SUCH NON-DEBTOR PARTY FAILS TO TIMELY FILE AND SERVE SUCH OBJECTION, SUCH PARTY SHALL BE DEEMED TO CONSENT TO THE ASSUMPTION AND (IF APPLICABLE) ASSIGNMENT OF SUCH AGREEMENT AND THE PROPOSED CURE AMOUNT (IF ANY) WITH RESPECT TO SUCH AGREEMENT, AND SUCH OBJECTION AND ANY ASSERTED RIGHT TO RECEIVE A CURE PAYMENT OTHER THAN THAT SET FORTH ON THE SCHEDULE OF EFFECTIVE DATE ASSUMED CONTRACTS (IF ANY) WILL BE WAIVED. THE DEBTORS OR THE PROPONENT MAY RESPOND TO ANY TIMELY FILED AND SERVED OBJECTION (IN WHICH CASE THE BANKRUPTCY COURT SHALL DECIDE SUCH OBJECTION AT THE CONFIRMATION HEARING OR SUCH OTHER TIME AS DETERMINED BY THE BANKRUPTCY COURT), OR THE DEBTORS, WITH THE WRITTEN CONSENT OF THE PROPONENT, MAY REMOVE THE PARTICULAR AGREEMENT FROM THE SCHEDULE OF EFFECTIVE DATE ASSUMED CONTRACTS (IN WHICH CASE THE AGREEMENT SHALL NO LONGER BE AN EFFECTIVE DATE ASSUMED CONTRACT). Cure amounts for Effective Date Assumed Contracts determined in accordance with this Article XIII.A shall be satisfied on the Distribution Date.

B. Assumption Conditioned upon Consummation of This Plan. This Plan seeks to cause the applicable Debtors and Reorganized Debtors to assume the Effective Date Assumed Contracts to the extent, and only to the extent, that such contracts or leases constitute executory contracts or unexpired leases. Additionally, unless the assumption, or assumption and assignment, of an Effective Date Assumed Contract is expressly approved by a Final Order of the Bankruptcy Court that provides otherwise, the assumption of each Effective Date Assumed Contract by the applicable Debtor or Reorganized Debtor are each expressly conditioned upon the occurrence of the Effective Date. If the Effective Date does not occur, assumption of the Effective Date Assumed Contracts as provided in this Plan will not be effective, and the Debtors will retain all of their rights under section 365 of the Bankruptcy Code with respect to such contracts and leases.

C. Rejection of Remaining Contracts and Leases. Any and all of the Debtors' executory contracts and unexpired leases shall be deemed rejected as of the expiration of one hundred and eighty (180) days after the Effective Date (unless such deadline is extended by Final Order of the Bankruptcy Court), other than contracts and leases that (a) are expressly assumed by the Debtors or the Reorganized Debtors pursuant to a Final Order of the Bankruptcy Court entered prior to such date or are subject to a separate motion to assume pending before the Bankruptcy Court on such date, (b) are specifically designated by the Debtors as an Effective Date Assumed Contract pursuant to Article XIII.A above, or (c) expire, terminate or otherwise become non-executory prior to such date. Proofs of Claim with respect to any Claim for damages arising from the rejection of any executory contract or unexpired lease pursuant to this Article XIII.C must be filed with the Bankruptcy Court and served on the Reorganized Debtors within sixty (60) days following the expiration of such one hundred and eighty (180) day period

(as extended by Final Order of the Bankruptcy Court); provided, however, that if such contract or lease was the subject of a separate motion to assume pending before the Bankruptcy Court on such date, then a Proof of Claim with respect to such Claim must be filed with the Bankruptcy Court and served on the Reorganized Debtors within sixty (60) days following the withdrawal of such motion or entry of a Final Order of the Bankruptcy Court denying such motion or deeming such contract or lease to have been rejected.

D. Treatment of Rejection Damages Claims. Any Claim for damages based upon the rejection of any executory contract or unexpired lease shall be treated as an Unsecured Claim and shall be classified in Class 4 or Class 5, as appropriate, and may be objected to in accordance with the provisions of Article XI above, and the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules. The failure to file a Proof of Claim with respect to a Claim for damages based upon the rejection of an executory contract or unexpired lease as provided in Article XIII.C above or a Final Order of the Bankruptcy Court specifically relating to such Claim shall forever bar and discharge such Claim.

ARTICLE XIV
ADMINISTRATIVE PROVISIONS

A. Retention of Jurisdiction. The Bankruptcy Court shall retain post-confirmation jurisdiction over these Chapter 11 Cases including, without express or implied limitation, for the following purposes:

1. To resolve any dispute or matter arising under or in connection with any order of the Bankruptcy Court entered in the Chapter 11 Cases, including disputes that arise between or among the Debtors, the Reorganized Debtors, the Proponent, Holders of Claims or Interests or other parties in interest.

2. To adjudicate all claims or controversies arising out of any purchases, sales, contracts or undertakings by the Debtors during the pendency of the Chapter 11 Cases.

3. To adjudicate any and all claims filed by any Person, including any of the current or former officers, directors, employees, agents, Interest Holders or controlling Persons of the Debtors, or other parties in interest, against the Debtors, the Reorganized Debtors, the Estates, the Litigation Trust, the Committee, the Proponent or any of their respective professionals, raised in connection with any and all post-petition claims or causes of action arising from or related to the Chapter 11 Cases, or against the Debtors or the Proponent or any of their respective professionals with respect to this Plan.

4. To adjudicate all controversies and issues arising out of or relating to any adversary proceedings on the Bankruptcy Court's docket as of the Confirmation Date, or which are commenced after the Confirmation Date pursuant to the provisions of the Bankruptcy Code and this Plan, and including adversary proceedings with respect to any Claims or Interests, or any Causes of Action.

5. To recover all assets and properties of the Debtors and the Estates, whether title is presently held in the name of the Debtors or a third party.

6. To determine the allowability, classification, or priority of Claims upon objection by the Debtors, the Reorganized Debtors, the Proponent or any other party in interest entitled hereunder to file an objection (including the resolution of disputes regarding any Disputed Claims and claims for disputed Distributions), and the validity, extent, priority and avoidability of consensual and nonconsensual liens and other encumbrances, and to estimate the Allowed Amount of any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code.

7. To issue injunctions or take such other actions or make such other orders as may be necessary or appropriate to restrain interference with this Plan or its execution or implementation by any Person, to construe and to take any other action to enforce and execute this Plan, the Confirmation Order or any order of the Bankruptcy Court, including the Bar Date Order and the injunctions contained therein, to issue such orders as may be necessary for the implementation, execution, performance and consummation of this Plan and all matters referred to herein, and to determine all matters that may be pending before the Bankruptcy Court in the Chapter 11 Cases on or before the Effective Date with respect to any Person.

8. To protect the property of the Estates, the Debtors, and the Reorganized Debtors (and the subsidiaries and affiliates thereof) from claims against, or interference with, such property, including actions to quiet or otherwise clear title to such property or to resolve any dispute concerning liens, security interest or encumbrances in or on any property of the Estates.

9. To determine any and all applications for allowance of Fee Claims.

10. To determine any Priority Tax Claims, Priority Non-Tax Claims, Administrative Expense Claims or any other request for payment of Claims or expenses entitled to priority under section 507(a) of the Bankruptcy Code.

11. To determine any and all motions related to the rejection, assumption or assignment of executory contracts or unexpired leases, to determine any motion to assume an executory contract or unexpired lease pursuant to Article XIII above or to resolve any disputes relating to the appropriate cure amount or other issues related to the assumption of executory contracts or unexpired leases in the Chapter 11 Cases.

12. To determine all applications, motions, adversary proceedings, contested matters, actions, and any other litigated matters instituted in and prior to the closing of the Chapter 11 Cases, including any remands.

13. To enter a Final Order or orders closing the Chapter 11 Cases.

14. To modify this Plan under section 1127 of the Bankruptcy Code, remedy any defect, cure any omission, or reconcile any inconsistency in this Plan or the Confirmation Order so as to carry out its intent and purposes.

15. To issue such orders in aid of consummation of this Plan and the Confirmation Order, notwithstanding any otherwise applicable non-bankruptcy law, with respect to any Person, to the fullest extent authorized by the Bankruptcy Code.

16. To determine any tax liability pursuant to section 505 of the Bankruptcy Code.

17. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated.

18. To resolve any disputes concerning whether a Person had sufficient notice of the Chapter 11 Cases, any applicable Claims bar date (including the Bar Date, the Administrative Expense Bar Date, and any other Claims bar date provided in this Plan, the Confirmation Order, or any other Final Order of the Bankruptcy Court), the hearing to consider approval of the Disclosure Statement or the Confirmation Hearing, or for any other purpose.

19. To authorize sales or transfers of assets, or issuances or transfers of securities, as necessary or desirable and to resolve objections, if any, to such sales, transfers or issuances.

20. To resolve any disputes concerning any release of a non-Debtor hereunder or the injunction against acts, employment of process or actions against such non-Debtor arising hereunder.

21. To approve any Distributions, or resolve objections thereto, under this Plan.

22. To approve any Claims settlement entered into or offset exercised by the Debtors or the Reorganized Debtors.

23. To determine such other matters, and for such other purposes, as may be provided in the Confirmation Order, or as may be authorized under the Bankruptcy Code.

B. Failure of the Bankruptcy Court to Exercise Jurisdiction. If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Cases, then Article XIV.A above shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

C. Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules, Local Rules or other federal laws apply, the rights and obligations arising under this Plan shall be governed by the laws of the State of Delaware, without giving effect to principles of conflicts of law.

D. Amendments.

1. Preconfirmation Amendment. The Proponent, may modify this Plan at any time prior to the Confirmation Date; provided, however, that this Plan, as modified, and the Disclosure Statement pertaining thereto shall meet applicable Bankruptcy Code requirements.

2. Post-Confirmation Amendment Not Requiring Resolicitation. After the Confirmation Date, with the approval of the Bankruptcy Court, the Proponent may modify this

Plan to remedy any defect or omission or to reconcile any inconsistencies in this Plan or in the Confirmation Order as may be necessary to carry out the purposes and effects of this Plan, or in a manner that does not materially adversely affect the interests, rights, treatment or Distributions of any Class of Claims or Interests. Any waiver under Article VIII.O above shall not be considered to be a modification or amendment of this Plan.

3. Post-Confirmation, Pre-Consummation Amendment Requiring Resolicitation. After the Confirmation Date and before substantial consummation of this Plan, the Proponent may modify this Plan in a manner that materially and adversely affects the interests, rights or treatment of, or Distributions to, one or more Classes of Claims or Interests, provided, however, that (a) this Plan, as modified, shall satisfy all applicable Bankruptcy Code requirements; (b) the Proponent shall obtain Bankruptcy Court approval for such modification; (c) such modification shall be accepted by each Class of Claims or Interests adversely affected by such modification pursuant to the standards for acceptance set forth in Article VI above; and (d) the Proponent shall comply with section 1125 of the Bankruptcy Code with respect to the Plan as modified.

E. Modification, Revocation or Withdrawal of This Plan. The Proponent, may modify, revoke or withdraw this Plan as the plan of reorganization for any Debtor (in which case the Proponent may proceed with confirmation and/or consummation of the Plan with respect to the other Debtors) or all of the Debtors at any time prior to the Confirmation Date or, if the Proponent is for any reason unable to consummate this Plan after the Confirmation Date, at any time prior to the Effective Date.

F. Exemption from Certain Transfer Taxes. Pursuant to section 1146(a) of the Bankruptcy Code, (a) the issuance, transfer or exchange of any securities, instruments or documents, (b) the creation of any other lien, mortgage, deed of trust or other security interest, or (c) the making or assignment of any lease or sublease or the making or delivery of any deed or other instrument of transfer under, pursuant to, in furtherance of or in connection with this Plan or the sale or transfer of any assets of the Debtors or the Estates (including the sale or transfer by the Reorganized Debtors of any assets that, prior to the Effective Date, constituted Estate Assets), and any deeds, bills of sale or assignments executed in connection with this Plan or the Confirmation Order, shall not be subject to any stamp tax, transfer tax, intangible tax, recording fee, or similar tax, charge or expense to the full extent provided for or allowed under section 1146(a) of the Bankruptcy Code.

G. Compromise of Controversies. Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under this Plan, the provisions of this Plan shall constitute a good faith compromise and settlement of all claims and controversies resolved pursuant to this Plan, including, without express or implied limitation, all claims arising prior to the Commencement Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, by or against the Debtors, the Proponent, the Holders of Claims who vote to accept this Plan and various other Holders of Claims, arising out of, relating to or in connection with the business or affairs of or transactions with the Debtors, to the extent provided in this Plan. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises and settlements and all other compromises and settlements provided for in this Plan, including the Lennar Settlement, and the Bankruptcy

Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, the Estates, and all parties in interest, and are fair, equitable and within the range of reasonableness. The provisions of this Plan, including, without express or implied limitation, its release, injunction, exculpation and compromise provisions, are mutually dependent and non severable.

H. Insurance Preservation and Proceeds. Nothing in this Plan shall diminish or impair the enforceability of any policies of insurance that may cover Claims against or Interests in the Estates, the Debtors or any related Person. Holders of Claims that are eligible to be satisfied, in whole or in part, through any such policy shall be obligated, as a condition to receiving any Distributions under this Plan, to seek recovery or assist the Debtors or the Reorganized Debtors in seeking recovery under such policies with regard to such Claims.

I. Successors and Assigns. The rights, benefits, and obligations of any Person named or referred to in this Plan shall be binding upon, and shall inure to the benefit of, the heirs, executors, administrators, successors and/or assigns of such Person. For the purposes of this Plan, the Reorganized Debtors shall be the successor to the Debtors.

J. Confirmation Order and Plan Control. To the extent that the Confirmation Order or this Plan is inconsistent with the Disclosure Statement or any agreement entered into between the Proponent and any party, this Plan controls the Disclosure Statement and any such agreement, and the Confirmation Order (and any other Final Orders entered by the Bankruptcy Court after the date of this Plan) controls this Plan; provided, however, that nothing in this Plan or the Confirmation Order shall modify the provisions of the Final DIP Order except as expressly provided for in this Plan (including as provided in any provision of this Plan that expressly modifies specific provisions of the Final DIP Order) or as expressly consented to by the Proponent.

K. Dissolution of the Litigation Trust. The Litigation Trust shall terminate three (3) years after the Effective Date, unless extended at the discretion of the Litigation Trustee. Upon such termination, all beneficial interests in the Litigation Trust shall be extinguished, the legal existence of the Litigation Trust shall terminate, and all assets (if any) held by the Litigation Trust on such date shall vest in the Reorganized Debtors free and clear of all claims, liens, encumbrances and other liabilities, in each case without further action of the Bankruptcy Court or any other court, administrative body or other agency. The Litigation Trustee may cause to be filed with any applicable governmental or other regulatory authority such certificate of dissolution or cancellation and any other certificates and documents as the Litigation Trustee, in its sole discretion, deems necessary to reflect the termination of the legal existence of the Litigation Trust, and may take any other action it deems necessary or desirable to reflect the transfer of all assets (if any) held by the Litigation Trust upon termination to the Reorganized Debtors.

L. Dissolution of the Committee. As of the Effective Date, the duties of the Committee shall terminate. Any post-Effective Date powers and duties that would otherwise be powers and duties of the Committee shall be powers and duties of the Reorganized Debtors. The Committee shall be discharged and disbanded as of the Effective Date.

M. Notices. All notices or requests in connection with this Plan shall be made in writing and shall be addressed to:

Edwin J. Harron, Esq.
Joseph M. Barry, Esq.
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The Brandywine Building and
1000 West Street, 17th Floor, P.O. Box 391
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Bruce R. Zirinsky, Esq.
Nathan A. Haynes, Esq.
Greenberg Traurig, LLP
200 Park Avenue
New York, New York 10166
Telephone: (212) 801-9200
Facsimile: (212) 801-6400

N. No Admissions. Notwithstanding anything herein to the contrary, nothing contained in this Plan shall be deemed an admission by the Debtors, the Proponent or any other Person with respect to any matter set forth herein, including, without express or implied limitation, liability on any Claim or the propriety of a Claim's classification.

Respectfully submitted,

BARCLAYS BANK PLC
as Administrative Agent

By: /s/ *Mark Manski*
Title: Managing Director