

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re

LANDSOURCE COMMUNITIES
DEVELOPMENT LLC, *et al.*,

Debtors.

)
) Chapter 11

)
) Case No. 08-11111 (KJC)

)
) Jointly Administered

)
) Ref. Docket No. 1380

**CERTIFICATION OF COUNSEL REGARDING REVISIONS TO SECOND
AMENDED DISCLOSURE STATEMENT AND ORDER APPROVING SAME**

On June 1, 2009, this Court conducted a hearing (the "Hearing") to consider, among other things, approval of the amended disclosure statement (as presented to the Court at the Hearing, the "Disclosure Statement") proposed by Barclays Bank PLC, as Administrative Agent (the "Proponent"). At the conclusion of the Hearing, the Court approved the Disclosure Statement subject to certain revisions discussed on the record at the Hearing and/or as otherwise requested by certain parties-in-interest. Contemporaneous with the filing of this Certification of Counsel, the Proponent is filing a further revised Disclosure Statement and related documents consistent with the aforementioned revisions, including a revised form of order approving the Disclosure Statement (the "Revised Disclosure Statement Order"). Annexed hereto as Exhibit 1 are blackline pages showing the changes made to the Revised Disclosure Statement Order from the version presented to the Court at the Hearing. Annexed hereto as Exhibit 2 are the blackline pages of the Disclosure Statement filed contemporaneously herewith showing the changes discussed on the record at the hearing and/or as otherwise requested by certain parties-in-interest.

For the reasons set forth more fully on the record at the Hearing, the Proponent respectfully request entry of the Revised Disclosure Statement Order at the Court's earliest convenience.

Dated: June 2, 2009
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR LLP

By: /s/ Joseph M. Barry
Edwin J. Harron (No. 3396)
Joseph M. Barry (No. 4221)
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, Delaware 19899-0391

and

GREENBERG TRAURIG LLP

Bruce R. Zirinsky (*pro hac vice*)
Nathan A. Haynes (*pro hac vice*)
200 Park Avenue
New York, New York 10166

Nancy A. Peterman (*pro hac vice*)
77 West Wacker Drive, Suite 3100
Chicago, Illinois 60601

Attorneys for Barclays Bank PLC, as Administrative
Agent for the Pre-petition and Post-petition First Lien
Credit Agreements

Exhibit 1

)	Chapter 11
)	
In re)	Case No. 08-11111 (KJC)
)	
LANDSOURCE COMMUNITIES)	Jointly Administered
DEVELOPMENT LLC, <i>et al.</i> ,)	
)	
Debtors. ¹)	
)	

Upon consideration of the motion (the “**Motion**”) of Barclays Bank PLC, as Plan Proponent and 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, for the entry of an Order pursuant to sections 1125 and 1126 of title

² Capitalized terms not defined herein shall have the meanings ascribed to them in the Motion.

(iv) granting related relief; and upon consideration of the *Proposed Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code for the Second 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 May 19, 2009 (including all exhibits thereto and as amended, modified or supplemented from time to time, the “**Second Amended Disclosure Statement**”) and the *Second 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 May 19, 2009 (including all exhibits thereto and as the same may be further amended, modified or supplemented from time to time, the “**Second Amended Plan**”); and it appearing that adequate and sufficient notice of the Motion has been given under the circumstances; and it further appearing that adequate and sufficient notice, pursuant to Bankruptcy Rule 2002(b), of the hearing to approve the Disclosure Statement has been given (the “**Disclosure Statement Notice**”); and after due deliberation and upon the Court’s determination that the relief requested in the Motion is in the best interests of the Debtors, their estates, creditors and other parties-in-interest; and sufficient cause appearing thereof, it is

HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. The Second Amended Disclosure Statement substantially in the form annexed hereto as Exhibit A is approved as containing adequate information within the meaning of section 1125 of the Bankruptcy Code, and any objections to the adequacy of the information contained in the Disclosure Statement not otherwise consensually resolved are

~~overruled~~(a) overruled; or (b) to the extent such objections raised confirmation issues, such objections are reserved and shall be heard and considered at the Confirmation Hearing (as defined herein).

3. The Balloting Agent shall mail or caused to be mailed to Holders of Claims entitled to vote on the Second Amended Plan no later than ~~***~~ June 10, 2009 a solicitation package containing: (a) written notice (the “**Confirmation Notice**”), substantially in the form annexed hereto as Exhibit AB, of (i) the Court’s approval of the Second Amended Disclosure Statement, (ii) the deadline for voting on the Second Amended Plan, (iii) the date of the Confirmation Hearing, and (iv) the deadline and procedures for filing objections to the confirmation of the Second Amended Plan, which Confirmation Notice is hereby approved; (b) the Second Amended Plan, substantially in the form ~~approved by the Court as filed on May 19, 2009~~attached to the Second Amended Disclosure Statement annexed hereto as a part of Exhibit A (either by paper copy or in “pdf” format on a CD-Rom, at the Plan Proponent’s and Balloting Agent’s discretion); (c) the Second Amended Disclosure Statement, ~~substantially in the form approved by the Court~~ (either by paper copy or in “pdf” format on a CD-Rom, at the Plan Proponent’s and Balloting Agent’s discretion); (d) the appropriate forms of Ballot, (substantially in the form(s) annexed hereto as Exhibit B)C and ballot return envelopes, postage paid; (e) the Subscription Forms for the Holders of First Lien Secured Claims, Second Lien Claims and Unsecured Claims (provided that the Unsecured Creditors will only receive such Subscription Forms upon the timely return and completion of the Accredited Investor Questionnaire), substantially in the form annexed hereto as Exhibit D; (f) the Accredited Investor Form for Unsecured Creditors only, substantially in the form annexed hereto as

~~Exhibit E;~~ and (g) a letter (the “Proponent’s Letter”), substantially in the form annexed hereto as ~~Exhibit EE~~, which form is hereby approved, ~~and;~~ and (h) ~~a letter (the “Debtors’ Letter”),~~ substantially in the form annexed hereto as Exhibit G, which form is hereby approved; (i) with respect to the solicitation packages transmitted to holders of Second Lien Claims, a letter (the “Second Lien Letter”), substantially in the form annexed hereto as Exhibit H, which form is hereby approved; (j) with respect to the solicitation packages transmitted to holders of Unsecured Claims, a letter (the “UCC Letter”), substantially in the form annexed hereto as Exhibit I, which form is hereby approved; and (k) such other information as the Court may direct or approve (collectively, the “Solicitation Package”). The Administrative Agent may post or cause to be posted the Proponent’s Letter on the LandSource Communities Development “IntraLinks” website maintained by the Administrative Agent for use by Holders of First Lien Claims. The Balloting Agent may consolidate all Ballots into one Solicitation Package for those Holders of Claims eligible to cast more than Ballot. The Solicitation Package and the manner of service of the Solicitation Package satisfies the requirements of Bankruptcy Rule 3017(d).

4. The Balloting Agent shall mail or cause to be mailed to each of the known counterparties to the Contracts and Leases a Confirmation Hearing Notice, the Second Amended Disclosure Statement and Second Amended Plan (either by paper copy or in “pdf” format on a CD-Rom, at the Plan Proponent’s and Balloting Agent’s discretion).

5. Pursuant to Bankruptcy Rule 3017(d), the Plan Proponent is not required to transmit a Solicitation Package to the Non-Voting Parties. The Plan Proponent shall cause the Balloting Agent to mail or cause to be mailed to each Non-Voting Party by no later than ~~{***}~~ June 10, 2009 the Non-Voting Notice substantially in the form attached hereto as ~~Exhibit EJ~~.

6. The Plan Proponent shall publish notice (the "**Publication Notice**"), substantially in the form annexed hereto as Exhibit DK, in The Wall Street Journal - Global Edition within ten (10) business days after the entry of this Order.

7. ~~May 20, June 1, 2009~~ is established as the record date (the "**Voting Record Date**") for the purposes of determining the Holders of Claims and Interests entitled to receive the Solicitation Package or the Non-Voting Notice and to vote on the Second Amended Plan.

8. Kurtzman Carson Consultants, LLC (the "**Balloting Agent**") shall tabulate the ballots and certify to the Court the results of the balloting.

9. The Balloting Agent is permitted to dispense with the mailing of Solicitation Packages or Non-Voting Notices to addresses and entities to which prior notices were returned by the United States Postal Service as undeliverable, unless the Balloting Agent is provided with an accurate address.

10. Notwithstanding anything to the contrary in the Motion or this Order, the Administrative Agent shall provide a register to the Balloting Agent no later than one (1) business day after the entry this Order listing the name and address of each Holder of a DIP Revolver Loan Claim as of the Voting Record Date.

11. Notwithstanding anything to the contrary in the Motion or this Order, the Administrative Agent shall provide a register to the Balloting Agent no later than one (1) business days after the entry of this Order listing at a minimum the name, address and Claim amount of each Holder of a First Lien Claim as of the Voting Record Date, and unless otherwise ordered by the Court, the Claim amount of each Holder of First Lien Claims shall be deemed allowed for the purposes of voting on the Second Amended Plan.

12. Notwithstanding anything to the contrary in the Motion or this Order, the Second Lien Administrative Agent shall provide a register to the Balloting Agent no later than one (1) business days after the entry of this Order listing, at a minimum the name, address and Claim amount of each Holder of a Second Lien Claim as of the Voting Record Date, and unless otherwise ordered by the Court, the Claim amount of each Holder of Second Lien Claims shall be deemed allowed for the purposes of voting on the Second Amended Plan.

13. The Ballots, substantially in the forms annexed hereto as Exhibit EC are approved.

14. All Ballots must be properly executed, completed and delivered to the Balloting Agent at the following address if delivered by first class mail: LandSource Ballot Processing Center c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245, so that the Ballots are received on or before —, 2009 July 6, 2009, at 5:00 p.m. (prevailing Pacific Time) (the “**Voting Deadline**”), unless extended by the Plan Proponent. Ballots cast by facsimile, email or other electronic transmission will not be counted.

15. For purposes of voting on the Second Amended Plan, the amount of a Claim held by a creditor or the number of any Interests held by an Interest Holder shall be determined on an estate-by-estate basis, pursuant to the following guidelines:

- a. The Claim listed in a Debtor’s schedule of liabilities, 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).
- b. The undisputed, noncontingent and liquidated amount specified in a proof of Claim timely filed with the Court or the Balloting Agent (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 —, June 22, 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). For the avoidance of doubt, subject to paragraph 16 below, Holders of Claims that are the subject of a pending objection filed no later than the Vote Objection Deadline are not entitled to vote the amount of such Claim, ~~unless on or prior to the Voting Record Date~~, unless the Court enters an order directing otherwise.

- c. 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, in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules~~ for such estimation is timely filed as required below.
- d. Except as otherwise provided in subsection (c) above, 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.

16. If a creditor casts a Ballot in respect of a contingent, unliquidated or Disputed Claim (including, but not limited to, a Claim that is the subject of a pending objection filed no later than the Voting Objection Deadline), 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, such creditor's Ballot shall not be counted, ~~unless on or prior to the Vote Objection Deadline~~, unless the Court enters an order directing otherwise.

17. Creditors seeking to have a Claim temporarily allowed for purposes of voting to accept or reject the Second Amended Plan pursuant to Bankruptcy Rule 3018(a) must file a motion (the "**Claims Estimation Motion**") for such relief no later than ~~***~~_____.

2009-June 29, 2009 at 4:00 pm. (prevailing Eastern Time). The Court will schedule a section

- i. Each creditor shall be deemed to have voted the full amount of its Claim. Unless otherwise ordered by the Court, questions as to the validity, form, eligibility (including time of receipt), acceptance and revocation or withdrawal of Ballots shall be determined by the Balloting Agent and the Plan Proponent, which determination shall be final and binding.
- j. Facsimile Ballots or Ballots submitted via email or other electronic submission will not be counted.
- k. The Plan Proponent reserves the right to waive any or all of the requirements limiting the means of transmittal of any Ballot, including, without limitation, the Voting Deadline.

19. As set forth in the Second Amended Plan, the Rights Offering (as defined in the Second Amended Plan) shall be made available to the Holders of First Lien Claims, Second Lien Claims and Allowed Unsecured Claims (which Allowed Unsecured Claims will not include any Disallowed Claims, Disputed Claims or Claims that are the subject of pending litigation, the “**Rights Offering Participants**”), but only to the extent such Holders are “Accredited Investors,” as that term is defined in Rule 501 of the Securities Act and such Holder is able to purchase at least one Rights Offering Unit (each, an “**Eligible Holder**”).

20. The Voting Record Date of ~~May, 20~~June 1, 2009 shall serve as the date for determining the Eligible Holders permitted to participate in the Rights Offering. The allocation of Subscription Rights (as defined in the Second Amended Plan) for all Eligible Holders of First Lien Claims, Second Lien Claims and Allowed Unsecured Claim in their particular class, as applicable, will be determined based upon the provisions of the Second Amended Plan.

21. The Subscription Forms and the Accredited Investor Questionnaire Form, substantially in the forms attached hereto as Exhibit **FD and E**, are hereby approved.

22. To exercise the Subscription Rights, each Eligible Holder of a First Lien Claim, Second Lien Claim and Unsecured Claim, as applicable, must return a duly completed Subscription Form and the applicable subscription purchase price (the “**Subscription Purchase Price**”) payment to the Subscription Agent so that such form and payment are actually received by the Subscription Agent on or before the Voting Deadline (the “**Subscription Expiration Date**”). For those Rights Offering Participants who are Holders of Allowed Unsecured Claims (which Allowed Unsecured Claims do not include any Disallowed Claims, Disputed Claims or Claims that are the subject of pending litigation), such Participants must first return to the Subscription Agent the Accredited Investor Questionnaire on or before ~~ten (10) days before the~~ **Voting Deadline Date, June 26, 2009**. Upon receipt of such Accredited Investor Questionnaire, the Subscription Agent will then provide the Subscription Form to such Rights Offering Participant.

23. If, for any reason, the Subscription Agent does not receive from an Eligible Holder of First Lien Claims, Second Lien Claims and Unsecured Claims, as applicable, both (a) a duly completed Subscription Form on or prior to the Subscription Expiration Date and (b) payment in immediately available funds in an amount equal to such Eligible Holder’s Subscription Purchase Price on or prior to the Subscription Expiration Date for escrow deposit into the Subscription Accounts, such Eligible Holder shall be deemed to have relinquished and waived its rights to participate in the Rights Offering. Each Eligible Holder of a First Lien Secured Claim, Second Lien Claim and Unsecured Claim, as applicable, intending to participate in the Rights Offering must affirmatively elect to exercise its Subscription Rights and deliver its Subscription Purchase Price for deposit into the Subscription Accounts, on or prior to the Subscription Expiration Date.

24. Objections to confirmation of the Second Amended Plan shall be served on the following parties: (i) counsel for the Plan Proponent and Administrative Agent: Greenberg Traurig LLP, 200 Park Avenue, New York, NY 10166, Attn: Bruce R. Zirinsky, Esq. and Young Conaway Stargatt & Taylor, LLP, The Brandywine Building, 1000 West Street, 17th Floor, P.O. Box 391, Wilmington, DE 19899, Attn: Edwin J. Harron; (ii) counsel for the Debtors: Weil, Gotshal & Manges, LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Marcia L. Goldstein, Esq. and Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, DE 19801, Attn: Mark D. Collins, Esq.; (iii) counsel to the Official Committee of Unsecured Creditors: Pachulski Stang Ziehl & Jones LLP, 919 North Market Street, 17th Floor, Wilmington, DE 19899, Attn: Laura Davis Jones, Esq. and Pachulski Stang Ziehl & Jones, LLP, 10100 Santa Monica Boulevard, Suite 1100, Los Angeles, CA 90067, Attn: Richard Pachulski, Esq.; (iv) counsel for the Second Lien Administrative Agent: Paul, Weiss, ~~Rifkind~~Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019, Attn: Andrew N. Rosenberg, Esq. and Landis Rath & Cobb LLP, 919 Market Street, Suite 1800, Wilmington, DE 19801, Attn: Richard S. Cobb, Esq.; (v) ~~and counsel for Lennar Corporation: O'Melveny & Myers, LLP, 400 South Hope Street, Los Angeles, CA 90071, Attn: Ben Logan, Esq.; and~~ (vi) the Office of the United States Trustee, J. Caleb Boggs Federal Building, 844 King Street Suite 2207, Lockbox 35, Wilmington, DE 19899, Attn: David L. Buchbinder, Esq. by hand delivery or in a manner as will cause such objection to be received by all such parties on or before July 6, 2009 at 4:00 p.m. (prevailing Eastern Time), provided however, that the Creditors Committee and the Second Lien Agent may file their confirmation objections on or before July 7, 2009 at 7:00 p.m. (prevailing Eastern Time). Any objections not filed and served as set forth above will not be considered by the Court.

25. Any party supporting the Second Amended Plan may file a reply to any objection to confirmation of the Second Amended Plan, by July 10, 2009 at 4:00 p.m. (prevailing Eastern Time).

26. A hearing shall be held before this Court on July 13, 2009 at 10:00 a.m. (prevailing Eastern Time), at the United States Bankruptcy Court for the District of Delaware, 824 N. Market St., 5th Floor, Wilmington, Delaware 19801, or as soon thereafter as counsel can be heard, to consider confirmation of the Second Amended Plan (the "**Confirmation Hearing**").

27. The Confirmation Hearing may be adjourned from time to time without further notice to creditors and other parties-in-interest by an announcement of the adjourned date at the Confirmation Hearing or any adjournment thereof or by an appropriate filing with the Court.

28. The following procedures are approved for establishing the Cure Amounts for Contracts and Leases to be assumed pursuant to the Second Amended Plan:

(i) the Plan Proponent will cause the *Notice of (I) Assumption of Contracts and Leases, (II) Fixing of Cure Amounts, and (III) Deadline to Object Thereto* (the "**Cure Notice**"), in a form substantially similar to the form attached hereto as **Exhibit GL**, to be served on the non-debtor parties to the Effective Date Assumed Contracts on ~~the fifteenth (15th) day prior to the Confirmation-Objection Deadline, or~~ June 19, 2009. Among other things, the Cure Notice shall set forth the amount that the Plan Proponent believes must be paid in order to cure all monetary defaults under each of the Effective Date Assumed Contracts;

(ii) the non-debtor parties to the Effective Date Assumed Contracts shall have until ~~the Confirmation-Objection Deadline~~, 2009, July 6, 2009 at 4:00 p.m. (prevailing Eastern Time), which deadline may be extended in the sole discretion of the Plan Proponent or by order of the Court, to object (a "**Cure Objection**") to the (a) Cure Amounts listed by the Plan Proponent and to

propose alternative cure amounts, and/or (b) proposed assumption of the Effective Date Assumed Contracts under the Second Amended Plan; provided, however, if the Plan Proponent amends the Cure Notice or any related pleading that lists the Effective Date Assumed Contracts to add a contract or lease or to reduce the cure amount thereof, except where such reduction was based upon the mutual agreement of the parties, the non-debtor party thereto shall have at least ten (10) calendar days after service of such amendment to object thereto or to propose an alternative cure amount(s);

(iii) any party objecting to the Cure Amount(s), whether or not such party previously has filed a proof of Claim with respect to amounts due under the applicable Effective Date Assumed Contract, or objecting to the potential assumption of such Effective Date Assumed Contract, shall be required to file and serve a Cure Objection, in writing, setting forth with specificity any and all cure obligations that the objecting party asserts must be cured or satisfied in respect of the Effective Date Assumed Contract and/or any and all objections to the potential assumption of such Effective Date Assumed Contract, together with all documentation supporting such cure Claim or objection, upon each of the Notice Parties so that the Cure Objection is actually received by them no later than ~~the Confirmation Objection Deadline or _____,~~ **2009, July 6, 2009 at 4:00 p.m. (prevailing Eastern Time).** If a Cure Objection is timely filed and the parties are unable to settle such Cure Objection, the Bankruptcy Court shall determine the amount of any disputed Cure Amount(s) or objection to assumption at a hearing to be held at the time of the Confirmation Hearing or such other hearing date to which the parties may mutually agree or as determined by the Court. The Plan Proponent may, in its sole discretion, extend the Cure Objection Deadline without further notice, but are not obligated to do so;

(iv) in the event that no Cure Objection is timely filed with respect to an Effective Date Assumed Contract, the counterparty to such Effective Date Assumed Contract shall be deemed to have consented to the assumption of the Effective Date Assumed Contract and the Cure Amount proposed by the Plan Proponent and shall be forever enjoined and barred from seeking any additional amount(s) on account of the Debtors' cure obligations under section 365 of the Bankruptcy Code or otherwise from the Debtors, their estates or the Reorganized Debtors. In addition, if no timely Cure Objection is filed with respect to an Effective Date Assumed Contract, upon the Effective Date of the Second Amended Plan, the Reorganized Debtors and the counterparty to such Effective Date Assumed Contract shall enjoy all of the rights and benefits

under the Effective Date Assumed Contract without the necessity of obtaining any party's written consent to the Debtors' assumption of the Effective Date Assumed Contract, and such counterparty shall be deemed to have waived any right to object, consent, condition or otherwise restrict the Debtors' assumption of the Effective Date Assumed Contract.

29. The inclusion of an Effective Date Assumed Contract in the Cure Notice is without prejudice to the Plan Proponent's right to modify their election to assume or to reject such Effective Date Assumed Contract prior to the entry of a final, non-appealable order (which order may be the order confirming the Second Amended Plan) deeming any such Effective Date Assumed Contract assumed or rejected, and inclusion in the Cure Notice is not a final determination that any Effective Date Assumed Contract will, in fact, be assumed.

30. Except as otherwise set forth herein the Plan Supplement will be filed by June 12, 2009.

31. 29. The~~A second~~ Plan Supplement will ~~include~~~~abe~~ filed by June 19, 2009 and will list ~~of~~ agreements that were listed in the Schedules as executory contracts or unexpired leases, but which the Debtors and the Proponent believe should not be considered executory contracts or unexpired leases (either because they were not executory contracts as of the Commencement Date or because they have expired or terminated in accordance with their terms prior to the Effective Date). If any counterparty to any such agreement believes that such agreement does constitute an executory contract or unexpired lease of one of the Debtors, then such counterparty must file with the Bankruptcy Court and serve on the Proponent and the Debtors an objection to the characterization of such agreement on or before ~~the Confirmation-Objection Deadline or~~ July 6, 2009 at 4:00 p.m. (prevailing Eastern Time). If any such agreements are determined by a Final Order to be executory contracts or unexpired

leases, the Debtors or the Reorganized Debtors, as applicable, reserve the right to seek the assumption or rejection of any such contract or lease, and the time within which the Debtors or the Reorganized Debtors, as applicable, may seek to assume or reject any such contract or lease will be tolled until twenty (20) Business Days after the date on which an order determining that any such agreement is an executory contract or unexpired lease becomes a Final Order. The second Plan Supplement to be filed on June 19, 2009 will also include an estimate of rejection damages, the identity of the Creditor Trustee, and the identity of the Creditor Trust Advisory Board.

32. ~~30.~~ Prior to mailing the Solicitation Packages, Non-Voting Notices or other materials, the Plan Proponent may fill in any missing dates and other information, correct any typographical errors and make such other non-material, non-substantive changes as it deems appropriate._

33. ~~31.~~ This Court shall retain jurisdiction over all matters related to or arising from the Motion or the interpretation or implementation of this Order.

Dated: Wilmington, Delaware
_____, 2009

Honorable Kevin J. Carey
United States Bankruptcy Judge

Exhibit 2

~~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~~

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

~~[PROPOSED]~~ DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE
BANKRUPTCY CODE FOR THE SECOND AMENDED JOINT
CHAPTER 11 PLANS 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: June 2 , 2009

YOUNG CONAWAY STARGATT &
TAYLOR LLP

Edwin J. Harron (No. 3396)
Joseph M. Barry (No. 4221)
The Brandywine Building
1000 West Street, 17th Floor
P.O. Box 391
Wilmington, Delaware 19899-0391
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

GREENBERG TRAURIG, LLP

Bruce R. Zirinsky (*pro hac vice*)

Nathan A. Haynes (*pro hac vice*)
200 Park Avenue
New York, New York 10166
Telephone: (212) 801-9200
Facsimile: (212) 801-6400

Nancy A. Peterman (*pro hac vice*)

77 West Wacker Drive, Suite 3100
Chicago, Illinois 60601
Telephone: (312) 456-8400
Facsimile: (312) 456-8435

Attorneys for Barclays Bank PLC, as
Administrative Agent

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 Second Amended Joint Chapter 11 Plans of Reorganization for LandSource Communities Development LLC ("LandSource Communities") 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 May 6, 2009 (the "Plan"). A copy of the Plan is attached hereto as Exhibit "A." Capitalized terms used and not otherwise defined herein will 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 X 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 will 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 was prepared by the Proponent and not the Debtors. Although the Debtors cooperated with the Proponent's information requests in connection with preparation of this Disclosure Statement, the Proponent does not have full access to the Debtors' books and records nor does the Proponent have knowledge with respect to or access to information related to all aspects of the Debtors' operations.

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 will 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

2. Current Organizational Chart (Exhibit "B");
3. Post Effective Date Organizational Chart (Exhibit "C");
4. Disclosure Statement Order (Exhibit "D");
5. Financial Projections (Exhibit "E");
6. Valuation and Recovery Analysis (Exhibit "F");
7. Liquidation Analysis (Exhibit "G");
8. Allowed Permitted Liens (Exhibit "H"); and
9. Disputed Permitted Liens (Exhibit "I").

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 June 2, 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 eight (8) separate Classes of Claims and Interests for each Debtor. 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 3, 4, 5, and 6, the Claims of which are Impaired and will be receiving Distributions under the Plan. Holders of Claims in Classes 1 and 2 are unimpaired. Accordingly, Holders of Claims in these Classes are deemed to accept the Plan and, therefore, are 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 Claims or Interests in Classes 7 and 8 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 this Class 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 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, will 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 will 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 will 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 will 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 Kurtzman Carson Consultants, LLC at 866-381-9100.

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on _____, July 13, 2009, at _____ {10:00 a.m.} ~~{p.m.}~~ (Eastern Time), 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.}~~ July 6, 2009, at 4:00 p.m. (Eastern Time), provided, however, that the Committee and the Second Lien Administrative Agent must serve and file objections, if any, to confirmation of the Plan, on or before July 7, 2009, at 7:00 p.m. (Eastern Time), in the manner described in this Disclosure Statement under Section VII.J.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.

Class	Description	Treatment	Entitled to Vote	Estimated Amount of Claims	Estimated Recovery Under Plan ³	Estimated Recovery Under Liquidation
--	Priority Tax Claims	Each Holder of an Allowed Priority Tax Claim will receive, at the sole option of the Proponent: (a) the Allowed Amount of such Claim in one Cash payment on the Distribution Date; (b) the Allowed Amount of such Claim <i>plus</i> 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	\$7.8	100%	100%
--	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, will be paid the aggregate Allowed Amount of the DIP Revolver Loan Claims in full in Cash on the Distribution Date.	N/A	\$111.7 million	100%	100%
1 (a) - (u)	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 will be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.	No Unimpaired Deemed to Accept	\$0.00	N/A	N/A
2 (a) - (u)	Senior Permitted Lien Claims	Allowed Senior Permitted Lien Claims will be Unimpaired, and will receive one or more of the following treatments specified in Section 1124 of the Bankruptcy Code in full and final satisfaction of such Claims: (a) be Reinstated, including, without limitation, reinstating any security interests and liens held by such Holder of a Senior Permitted Lien Claim, (b) be paid in full in Cash, (c) have the collateral securing such Claim returned or (d) receive	No Unimpaired Deemed to Accept	\$3.3 million ⁴	100%	100%

⁴ This figure does not include Senior Permitted Lien Claims in the approximate amount of \$6.09 million attributable to Washington Square, which Senior Permitted Lien Claims are anticipated to be satisfied from the proceeds of the sale of Washington Square.

Class	Description	Treatment	Entitled to Vote	Estimated Amount of Claims	Estimated Recovery Under Plan ³	Estimated Recovery Under Liquidation
		<p>such other treatment as the Proponent or Reorganized Debtors, as applicable, and the Holder of the Senior Permitted Lien Claim may otherwise agree. If the, <u>If Section 1124 requires</u> Proponent elects to satisfy an Allowed Senior Permitted Lien Claim by payment in full, in Cash, the amount of such Allowed Senior Permitted Lien Claims <u>Claim</u> due and owning <u>owing</u> as of the Distribution Date will be paid in full, in Cash, on the Distribution Date.</p> <p>As in such case, (i) as to any asserted Senior Permitted Lien Claim that has not been Allowed as of the Effective Date, Cash in an amount equal to the Amount of such Senior Permitted Lien Claim that would be payable on the Effective Date and if the asserted Senior Permitted Lien Claim were an Allowed Claim will be reserved in a separate account established by the Distribution Agent. If, and (ii) if the Reorganized Debtors do not commence an adversary proceeding with one hundred and eighty (180) days after the Effective Date to determine the extent, validity and priority of an asserted Senior Permitted Lien Claim, such Claim will be deemed a valid Senior Permitted Lien Claim, and the Allowed Amount of any amount currently due and owing with respect to such Senior Permitted Lien Claim will be paid in full, in Cash, as soon as practicable thereafter. <u>To the extent that a Senior Permitted Lien Claim is not Allowed on the Effective Date, such Claim may be entitled to the payment of interest in order to be deemed Unimpaired.</u></p> <p>Notwithstanding anything to the contrary, no Cash will be set aside for Senior Permitted Lien Claims asserted against Lennar Mare Island, LLC or Friendswood Development Company, LLC, and Lennar Corporation will be solely responsible for satisfying the amount of any</p>				

prevails at trial, it presumably will have an unsecured claim against LLP II in an amount set at the trial.

Debtor ~~Lennar Homes of California, Inc.~~ **LLP II** is also a party to that certain action currently pending in the Superior Court of California, County of San Diego, Central Division captioned Lennar Homes of California, Inc., et al. v. US LLP, et al., Case No. 37-2008-00092842-CU-PN-CTL (the "DLA Piper Litigation"). The DLA Piper Litigation is a malpractice action against DLA Piper related to the member interests in the Bridges now held by HCC Holdings. On June 6, 2008, LLP II assigned to HCC Holdings all of its interests in the Bridges, including "any and all claims, demands, lawsuits and other proceedings that have been or could be asserted by or on behalf of the Assignor in respect of the Assignor's membership interest in the Company." In the DLA Piper Litigation, HCC Holdings, Lennar Homes of California and LLP II (collectively the "Plaintiffs") sued Brian Foster and his law firm (DLA Piper) (collectively "Foster") and Nicolas Marsch ("Marsch"),²⁵ alleging that Foster committed malpractice and breached fiduciary duties while jointly representing Lennar, Marsch and a limited liability company in which both Lennar and Marsch were members (HCC). In the complaint, the Plaintiffs further assert claims against Marsch for aiding and abetting Foster's breach of professional duties and interfering with Lennar's contractual relationship with its attorneys. DLA Piper has argued that HCC Holdings lacks standing to pursue the claim because malpractice claims are not assignable. Marsch has argued that LLP II lacks standing to pursue the claims because it assigned them to HCC Holdings. The plaintiffs in the action disagree with defendants' position. Pursuant to the Lennar Investment Agreement, the Lennar Investor will receive 75% of the net proceeds received by the Debtors pursuant to the DLA Piper Litigation. This litigation has not yet been resolved, and at this time the Proponent does not have an estimate of the value of the claims asserted therein.

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.

²⁵ Marsch is the principal of Briarwood Capital which is the owner of 50% of the membership interests in HCC.

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 Order²⁹ 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 passu*, 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 will 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) the amount required to make the Recovery Quotient³⁰ 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.

On May 12, 2009, the Debtors filed a motion (the "DIP Amendment Motion") to amend the Final DIP Order to allow for the continued use of cash collateral notwithstanding the pending maturity date of the DIP Credit Agreement. See Docket No. 1623. The salient provisions of the proposed amendment to the DIP Credit Agreement and Final DIP Order include:

- Use of Cash Collateral - The ~~proposed~~ amendment ~~will allow~~allows the Debtors to pay (a) ordinary course expenses as they become due, as set forth in a pre-approved budget; (b) any fees and expenses due to the Administrative Agent under the documents evidencing the DIP Credit Agreement; (c) adequate protection amounts due pursuant to Paragraph 15(a)(iv) or Paragraphs 15(c)(iii) through (vi) of the Final DIP Order; (d) any fees that become due and payable pursuant to 28 U.S.C. § 1930 and 28 U.S.C. § 156 between the Maturity Date (as defined in the DIP Credit Agreement) and the Post-Maturity Termination Date (as defined below); and (e) any allowed professional fees and expenses that become due and

²⁹ Capitalized terms used in this paragraph but not otherwise defined herein or in the Plan will have the meanings ascribed to such terms in the Final DIP Order.

³⁰ "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.

payable under section 328, 330 and 331 of the Bankruptcy Code between the Maturity Date and the Post-Maturity Termination Date.

- **Termination Date** - The "Post- Maturity Termination Date" is defined in the ~~proposed~~ amendment to mean the earliest to occur of the following: (i) the date on which the Administrative Agent provides notice, in accordance with Section 14.01 of the DIP Credit Agreement, of the occurrence of an Event of Default under the DIP Credit Agreement; (ii) the entry of an order by the Bankruptcy Court denying confirmation of the Plan; and (iii) July 31, 2009.
- **Fee** - In consideration for its consent to the entry of an order approving the ~~proposed~~ amendment, on the Effective Date, the Administrative Agent, for the account of each Revolver Facility Lender (as defined in the DIP Credit Agreement) ratably, shall be entitled to a fee of \$1.35 million, which fee shall be fully earned as of the date of the amendment.

The Second Lien Administrative Agent and the Committee each filed objections to the DIP Amendment Motion. See Docket Nos. 1670, 1672, 1673. On May 22, 2009, the Bankruptcy Court entered an order approving the relief requested in the DIP Amendment Motion. See Docket No. 1712.

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

c. Lakes by the Bay South Community Development District

On March 26, 2009, Lakes by the Bay South Community Development District (the "District") filed a Motion For Relief From Stay Pursuant to 11 U.S.C. § 362(d) or Alternatively, For Adequate Protection Pursuant to 11 U.S.C. § 361 and 363(e), see Docket No. 1374 (the "LBB Motion"), pursuant to which the District requested that the Bankruptcy Court grant relief from the automatic stay to allow it to foreclose on certain real property located in Miami-Dade County (the "Property") under Florida law or, alternatively, that the court require the Debtors to provide the District with adequate protection in the form of a cash payment.

The Property is located within the District, a special-purpose unit of local government established and existing under Florida law. Prior to the Commencement Date, the District levied non-ad valorem special assessments ("Special Assessments") against the Property to fund debt service on the tax-exempt bonds issued by the District to fund public infrastructure (the "District Improvements"). Pursuant to Florida law, the Special Assessments remain a lien on the Property until paid. Currently, a portion of the Special Assessments is past due and a portion will be due in the future in accordance with the District's adopted assessment resolutions.

To fund a portion of the District Improvements, the District issued and subsequently sold to various bondholders Series 2004B Special Assessment Revenue Bonds (the "Series 2004B Bonds") in the amount of \$11,335,000. Obligations under the Series 2004B Bonds are satisfied by semi-annual special assessments against the applicable property.

The District alleges that the cause exists to lift the automatic stay because the Debtors did not pay the November 1, 2008 semi-annual assessment in the cumulative amount of \$73,876.23, that the entire assessment subject to collection is in default, and that the total amount due in principal and accrued interest is subject to acceleration and payable in full. The District argues that the Debtors have no equity in the Property and it is not necessary for reorganization, thus rendering relief from the stay appropriate. Alternatively, the District requests that the Debtors make a cash payment in an amount not less than the total principal outstanding plus interest accrued as adequate protection.

Both the Proponent and the Debtors filed objections to the relief requested in the LBB Motion on the grounds that the District has failed to meet its burden that stay relief is warranted under the circumstances. See Docket Nos. 1433 and 1436, respectively. A preliminary hearing to consider the relief requested in the LBB Motion was held on April 17, 2009 and a final evidentiary hearing to consider the relief requested in the LBB Motion is currently scheduled for June 4, 2009. The liens of the District will be classified as Senior Permitted Lien Claims. Upon confirmation of the Plan, the Proponent may elect to satisfy the District's Senior Permitted Lien Claim by paying in full, in Cash, the amount of such Senior Permitted Lien Claim due and **owning** as of the Distribution Date on the Distribution Date. To the extent not satisfied in full, in Cash, on the Distribution Date, the liens of the District will remain on the Property until paid in full.

d. Deutsche Bank National Trust Company

be paid the Allowed Amount of such Claim in full in Cash on the Distribution Date.

Status: Classes 1 (a) - (u) are not Impaired. The Holders of the Claims in Classes 1 (a) - (u) are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

b. Class 2: Senior Permitted Lien Claims

Senior Permitted Lien Claims consist of any Allowed Secured Claim that is (a) a "Permitted Lien" under the DIP Credit Agreement and the Final DIP Order (either because such Allowed Secured Claim is listed as a "Permitted Lien" in the Final DIP Order or that certain Order with Respect to Appeal by Sam Hill & Sons, Inc. From Final Order Authorizing Debtors to Obtain Postpetition Financing [Docket No. 456], or because the Holder of such Allowed Secured Claim did not receive actual notice of the final hearing to consider approval of the DIP Credit Agreement) and (b) determined, either by agreement of the Debtors and the Administrative Agent or by a Final Order of the Bankruptcy Court to (i) have a validly perfected lien against property of the Debtors and (ii) have had priority over the liens securing the Debtors' obligations under the First Lien Credit Agreement and the Second Lien Credit Agreement as of the Commencement Date. Exhibit H to the Disclosure Statement sets forth all known Secured Claims that have been asserted to be Senior Permitted Lien Claims and satisfy the requirements of subsections (a) and (b). Exhibit I to the Disclosure Statement sets forth all known Secured Claims that have been asserted to be Senior Permitted Lien Claims and do not appear to satisfy the requirements of subsections (a) and (b). Any Claim that purports to be a Secured Claim but is not listed on either Exhibit H or Exhibit I to the Disclosure Statement will be deemed an Unsecured Claim unless the Bankruptcy Court enters an Order prior to the Confirmation Date determining that such Claim meets the requirements of subsection (a) hereof, in which case such Claim will be deemed to be an asserted Senior Permitted Lien Claim and included in Exhibit I.

All Senior Permitted Lien Claims will be treated as follows:

Treatment: Allowed Senior Permitted Lien Claims will be Unimpaired, and will receive one or more of the ~~following~~ treatments specified in Section 1124 of the Bankruptcy Code in full and final satisfaction of such Claim: ~~(a) be Reinstated, including, without limitation, reinstating any security interests and liens held by such Holder of a Senior Permitted Lien Claim, (b) be paid in full in Cash, (c) have the collateral securing such Claim returned or (d) receive such other treatment as the Proponent or Reorganized Debtors, as applicable, and the Holder of the Senior Permitted Lien Claim may otherwise agree. If the, If Section 1124 requires~~ Proponent ~~elects~~ to satisfy an Allowed Senior Permitted Lien Claim by payment in full, in Cash, the amount of such Allowed Senior Permitted Lien ~~Claims~~ Claim due and ~~owning~~ owing as of the Distribution Date will be paid in full, in Cash, on the Distribution Date. ~~AsIn such case, (i) as~~ to any asserted Senior Permitted Lien Claim that has not been Allowed as of the Effective Date, Cash in an amount equal to the Amount of such Senior Permitted Lien Claim that would be payable on the Effective Date ~~and~~ if the asserted Senior Permitted Lien Claim were an Allowed Claim will be reserved in a separate

account established by the Distribution Agent.—~~If; and (ii) if~~ the Reorganized Debtors do not commence an adversary proceeding with one hundred and eighty (180) days after the Effective Date to determine the extent, validity and priority of an asserted Senior Permitted Lien Claim, such Claim will be deemed a valid Senior Permitted Lien Claim, and the Allowed Amount of any amount currently due and owing with respect to such Senior Permitted Lien Claim will be paid in full, in Cash, as soon as practicable thereafter. To the extent that a Senior Permitted Lien Claim is not Allowed on the Effective Date, such Claim may be entitled to the payment of interest in order to be deemed Unimpaired. Notwithstanding anything to the contrary, no Cash will be set aside for Senior Permitted Lien Claims asserted against Lennar Mare Island, LLC or Friendswood Development Company, LLC, and Lennar Corporation will be solely responsible for satisfying the amount of any Senior Permitted Lien Claims against Lennar Mare Island, LLC and Friendswood Development LLC. Any remaining Cash held by the Distribution Agent not required to satisfy Senior Permitted Lien Claims will become the property of the Reorganized Debtors.

Status: Classes 2 (a) - (u) are not Impaired. The Holders of the Claims in Classes 2(a) to (u) are deemed to accept the Plan and, accordingly, are not entitled to vote to accept or reject the Plan.

c. Class 3: First Lien Claims

First Lien Claims are the First Lien Secured Claims and the First Lien Deficiency Claims.

Treatment: Each Holder of a First Lien Claim will receive (a) its Pro Rata Share of the First Lien Claim Distribution, (b) any special distributions allocable to the Units issued to the Holders of First Lien Claims pursuant to the Newhall Intermediary LLC Agreement or the Holdco LLC Agreement, as applicable, and (c) the right to participate in the Rights Offering. Each Holder of a First Lien Claim will receive any Units distributed hereunder in the form of Holdco Class A Units unless such Holder elects, on its Ballot, to instead receive its distribution in the form of Newhall Intermediary Units. Each Holder of a First Lien Claim receiving Newhall Intermediary Units or Holdco Units, as applicable, will be subject to the rights and obligations applicable to such Holder in the New Intermediary LLC Agreement or the Holdco LLC Agreement, as applicable. If a Holder of a First Lien Claim elects to receive all or a portion of its Units through a corporation formed for the purpose of holding all or a portion of such Units or through another Affiliated entity, then such Holder of a First Lien Claim will deliver an executed IRS form W-8 or W-9 and contact information to the Subscription Agent with respect to such corporation or Affiliated entity by the Effective Date. All Distributions to be made to Holders of First Lien Claims pursuant to Article V.C.1 of the Plan will be made to the Paying Agent for the benefit of such Holders.

pledges, encumbrances and/or security interests of any kind of the Holders of such Claims in or on the Estate Assets will 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 the Plan) will surrender to Holdco, Newhall Intermediary, the Debtors or the Reorganized Debtors, as applicable, any note, instrument, certificate, subordinated note, agreement, certificated security or other item evidencing such Claim or Interest. On the Effective Date all notes, instruments, certificates, subordinated notes, agreements, certificated securities or other items described in Article XII.A.2 of the Plan will be deemed to be void and of no further force or effect, regardless of whether such note, instrument, certificate, subordinated note, agreement, certificated security or other item has been surrendered in accordance with this Article XII.A.2 of the Plan.

2. Revesting and Vesting; Retention and Enforcement of Claims

Except as otherwise provided in the Plan, on the Effective Date, all Estate Assets will 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 will 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 or offset 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. ~~Notwithstanding the foregoing, this provision will not apply to those Holders of Administrative Claims set forth in Article I.9(b)(i) will not be enjoined 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 will 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

Except as otherwise provided in the Plan, to the fullest extent permitted by applicable law (a) on the Confirmation Date, the Confirmation Order will 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 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 will be barred and enjoined from asserting against the Debtors 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 will be fully and finally discharged of any liability or obligation on a Disallowed Claim. Except as otherwise specifically provided herein, nothing in the Plan will be deemed to waive, limit or restrict in any manner the discharge granted upon confirmation of the Plan pursuant to Bankruptcy Code section 1141. ~~Notwithstanding the foregoing, This provision will not apply to those Holders of Administrative Claims set forth in Article I.9(b)(i) will not be enjoined of the Plan.~~

6. Terms of Injunction 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, will remain in full force and effect until the Effective Date.

7. Defined Benefit Plan

Nothing in the Chapter 11 Cases, the Confirmation Order, the Plan, the Bankruptcy Code (including section 1141 thereof) or any other document filed in the Chapter 11 Cases will in any way be construed to discharge, release, limit or relieve the Debtors, the Reorganized Debtors or any other party, in any capacity, from any liability or responsibility with respect to the Defined Benefit Plan or any other defined benefit plan under any law, governmental policy or regulatory provision. The Pension Benefit Guaranty Corporation and the Defined Benefit Plan will not be enjoined or precluded from enforcing any such liability or responsibility by any of the provisions of the Plan, the Confirmation Order, the Bankruptcy Code

Claims and Interests in Classes 7 and 8 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 undisputed, 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 ~~_____~~, June 22, 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 for estimation is timely filed as 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.~~
- 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 will be counted in determining whether the numerosity requirement of section 1126(c) of the Bankruptcy Code has been met, but will 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: (i) 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; (ii) cures any default and reinstates the original terms of such obligation; or (iii) 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

d. Projected Revenues

The Business Plan projects that Reorganized LandSource Communities will generate revenue from (i) the sale of residential and commercial land and (ii) income from operating assets. Generally, Reorganized LandSource Communities will deliver homesites to residential and commercial developers in a "blue-top" or "super pad" condition. Due to previous land sales and the challenging market conditions that exist presently, there is an excess supply of homesites available for building in the immediate area of Valencia/Newhall. For example, approximately 2,000 homesites owned by third parties are available for immediate construction. This third party inventory, combined with Reorganized LandSource Communities' inventory of approximately 1,140 homesites remaining to be sold in Valencia east of Interstate 5, represent more than a 5-year supply of land. Due to these conditions, the Business Plan assumes very few residential land sales during the first phase. The Business Plan also assumes some commercial land and operating asset sales and income from operating entities and additional strategic opportunities such as a "Fee Build" program on a portion of the finished homesites that are part of the former land bank properties.

The Business Plan assumes \$158 million in total revenue through the first phase, as outlined below:

1. Residential Land Sales

The Business Plan assumes residential land sales during the period totaling approximately \$1.7 million.

2. Commercial Land Sales

The Business Plan assumes commercial land sales during the period totaling approximately \$4.9 million.

3. Operating Revenues

The Business Plan assumes total revenue from operating entities of approximately \$86 million, which includes revenues from the Valencia Water Company, the TPC Golf Club and the Ag/Oil Operations.

4. Land Bank Properties

The land bank properties will not be a part of the core business of Reorganized LandSource Communities. Thus, the Business Plan assumes that when market conditions improve, the remaining land bank properties will be sold. The Business Plan assumes land sales during the period totaling \$21.8 million.

e. Projected Expenses

Given the substantial supply of available homesites that will be owned by Reorganized LandSource Communities and third parties, combined with challenging market conditions, the Business Plan assumes that the primary focus of Reorganized LandSource

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 July 13, 2009 at 10:00 a.m. - 1 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 July 6, 2009 at 10:00 a.m. - 4:00 p.m., prevailing Eastern time, provided, however, that the Committee and the Second Lien Administrative Agent must serve and file objections, if any, to confirmation of the Plan, on or before July 7, 2009, at 7:00 p.m. (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.C.19 and V.C.21 of this Disclosure Statement.

VIII. 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

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.

Respectfully submitted,

By: /s/ Mark Manski
Title: Managing Director