

January 2007



LandSource Communities Development LLC

Confidential Information Memorandum

\$1,550,000,000 Senior Secured Credit Facilities

Consisting of:

\$200,000,000 Revolving Credit Facility,

\$1,050,000,000 Term Loan B Facility,

\$300,000,000 Second Lien Term Loan

For Public Investors

See Special Notice on Page i



LandSource Communities

Special Notice regarding Material Non-Public Information

THE COMPANY HAS REPRESENTED THAT THE INFORMATION CONTAINED IN THIS CONFIDENTIAL INFORMATION MEMORANDUM IS EITHER PUBLICLY AVAILABLE OR DOES NOT CONSTITUTE MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO THE PUBLICLY HELD INDIRECT OWNERS OF THE COMPANY OR THEIR RESPECTIVE SECURITIES. THE RECIPIENT OF THIS CONFIDENTIAL INFORMATION MEMORANDUM HAS STATED THAT IT DOES NOT WISH TO RECEIVE MATERIAL NON-PUBLIC INFORMATION WITH RESPECT TO SUCH OWNERS OF THE COMPANY OR THEIR SECURITIES AND ACKNOWLEDGES THAT OTHER LENDERS HAVE RECEIVED A CONFIDENTIAL INFORMATION MEMORANDUM THAT CONTAINS ADDITIONAL INFORMATION REGARDING THE COMPANY OR SUCH OWNERS THAT MAY BE MATERIAL WITH RESPECT TO SUCH OWNERS OF THE COMPANY OR THEIR SECURITIES THAT MAY BE MATERIAL. NEITHER THE COMPANY NOR THE ARRANGER TAKES ANY RESPONSIBILITY FOR THE RECIPIENT'S DECISION TO LIMIT THE SCOPE OF THE INFORMATION IT HAS OBTAINED IN CONNECTION WITH ITS EVALUATION OF THE COMPANY AND THE FACILITY.

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Notice to and Undertaking by Recipients

This Confidential Information Memorandum (the "Confidential Information Memorandum") has been prepared solely for informational purposes from information supplied by or on behalf of LandSource Communities Development LLC (the "Company"), and is being furnished by Barclays Capital, the investment banking division of Barclays Bank PLC (the "Arranger") to you in your capacity as a prospective lender (the "Recipient") in considering the proposed Credit Facility described in the Confidential Information Memorandum (the "Credit Facility").

ACCEPTANCE OF THIS CONFIDENTIAL INFORMATION MEMORANDUM CONSTITUTES AN AGREEMENT TO BE BOUND BY THE TERMS OF THIS NOTICE AND UNDERTAKING AND THE SPECIAL NOTICE SET FORTH ON THE COVER PAGE HEREOF (THE "SPECIAL NOTICE"). IF THE RECIPIENT IS NOT WILLING TO ACCEPT THE CONFIDENTIAL INFORMATION MEMORANDUM AND OTHER EVALUATION MATERIAL (AS DEFINED HEREIN) ON THE TERMS SET FORTH IN THIS NOTICE AND UNDERTAKING AND THE SPECIAL NOTICE, IT MUST RETURN THE CONFIDENTIAL INFORMATION MEMORANDUM AND ANY OTHER EVALUATION MATERIAL TO THE ARRANGER IMMEDIATELY WITHOUT MAKING ANY COPIES THEREOF, EXTRACTS THEREFROM OR USE THEREOF.

I. Confidentiality

As used herein: (a) "Evaluation Material" refers to the Confidential Information Memorandum and any other information regarding the Company, and the Company's members and their respective subsidiaries, affiliates and associated joint ventures or the Credit Facility furnished or communicated to the Recipient by or on behalf of the Company in connection with the Credit Facility (whether prepared or communicated by the Arranger or the Company, their respective advisors or otherwise) and (b) "Internal Evaluation Material" refers to all memoranda, notes, and other documents and analyses developed by the Recipient using any of the information specified under the definition of Evaluation Material.

The Recipient acknowledges that the Company considers the Evaluation Material to include confidential, sensitive and proprietary information and agrees that it shall use reasonable precautions in accordance with its established procedures to keep the Evaluation Material confidential; provided however that (i) it may make any disclosure of such information to which the Company gives its prior written consent and (ii) any of such information may be disclosed to it, its affiliates and their respective partners, directors, officers, employees, agents, advisors and other representatives (collectively, "Representatives") (it being understood that such Representatives shall be informed by it of the confidential nature of such information and shall be directed by the Recipient to treat such information in accordance with the terms of the Notice and Undertaking and the Special Notice). The Recipient agrees to be responsible for any breach of the Notice and Undertaking or the Special Notice that results from the actions or omissions of its Representatives.

The Recipient shall be permitted to disclose the Evaluation Material in the event that it is required by law or regulation or requested by any governmental agency or other regulatory authority (including any self-regulatory organization) or in connection with any legal proceedings. The Recipient agrees that it will notify the Arranger as soon as practical in the event of any such disclosure (other than at the request of a regulatory authority), unless such notification shall be prohibited by applicable law or legal process.

The Recipient shall have no obligation hereunder with respect to any Evaluation Material to the extent that such information (i) is or becomes publicly available other than as a result of a disclosure by the Recipient in violation of this agreement, or (ii) was within the Recipient's possession prior to its being furnished pursuant hereto on a confidential basis or becomes available to the Recipient on a non-confidential basis in both cases from a source other than the Company or its agents, provided that the source of such information was not known by the Recipient to be bound by a confidentiality agreement

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with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information.

In the event that the Recipient of the Evaluation Material decides not to participate in the transaction described herein, upon request of the Arranger, such Recipient shall as soon as practicable return all Evaluation Material (other than Internal Evaluation Material which shall be destroyed by Recipient) to the Arranger or represent in writing to the Arranger that the Recipient has destroyed all copies of the Evaluation Material (including Internal Evaluation Material) unless prohibited from doing so by the Recipient's internal policies and procedures.

II. Information

The Recipient acknowledges and agrees that (i) the Arranger received the Evaluation Material from third party sources (including the Company) and it is provided to the Recipient for informational purposes, (ii) the Arranger and its affiliates bear no responsibility (and shall not be liable) for the accuracy or completeness (or lack thereof) of the Evaluation Material or any information contained therein, (iii) no representation regarding the Evaluation Material is made by the Arranger or any of its affiliates, (iv) neither the Arranger nor any of its affiliates has made any independent verification as to the accuracy or completeness of the Evaluation Material, and (v) the Arranger and its affiliates shall have no obligation to update or supplement any Evaluation Material or otherwise provide additional information.

The Evaluation Material has been prepared to assist interested parties in making their own evaluation of the Company and the Credit Facility and does not purport to be all-inclusive or to contain all of the information that a prospective participant may consider material or desirable in making its decision to become a lender. Each Recipient of the information and data contained herein should take such steps as it deems necessary to assure that it has the information it considers material or desirable in making its decision to become a lender and should perform its own independent investigation and analysis of the Credit Facility or the transactions contemplated thereby and the creditworthiness of the Company. The Recipient represents that it is sophisticated and experienced in extending credit to entities similar to the Company. The information and data contained herein are not a substitute for the Recipient's independent evaluation and analysis and should not be considered as a recommendation by the Arranger or any of its affiliates that any Recipient enter into the Credit Facility.

The Evaluation Material may include certain forward looking statements and projections provided by the Company. Any such statements and projections reflect various estimates and assumptions by the Company concerning anticipated results. No representations or warranties are made by the Company or any of its affiliates as to the accuracy of any such statements or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events some of which are not within the control of the Company. Accordingly, actual results may vary from the projected results and such variations may be material. Statements contained herein describing documents and agreements are summaries only and such summaries are qualified in their entirety by reference to such documents and agreements.

III. General

It is understood that unless and until a definitive agreement regarding the Credit Facility between the parties thereto has been executed, the Recipient will be under no legal obligation of any kind whatsoever with respect to the Credit Facility by virtue of this Notice and Undertaking except for the matters specifically agreed to herein and in the Special Notice.

The Recipient agrees that money damages would not be a sufficient remedy for breach of this Notice and Undertaking or of the Special Notice, and that in addition to all other remedies available at law or

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in equity, the Company and the Arranger shall be entitled to equitable relief, including injunction and specific performance, without proof of actual damages and without posting of a bond.

This Notice and Undertaking and the Special Notice together embody the entire understanding and agreement between the Recipient and the Arranger with respect to the Evaluation Material and the Internal Evaluation Material and supersedes all prior understandings and agreements relating thereto. The terms and conditions of this Notice and Undertaking and the Special Notice shall apply until such time, if any, that the Recipient becomes a party to the definitive agreements regarding the Credit Facility, and thereafter the provisions of such definitive agreements relating to confidentiality shall govern. If you do not enter into the Credit Facility, the application of this Notice and Undertaking and the Special Notice shall terminate with respect to all Evaluation Material on the date falling one year after the date of the Confidential Information Memorandum.

This Notice and Undertaking and the Special Notice shall be governed by and construed in accordance with the law of the State of New York, without regard to principles of conflicts of law (except Section 5-1401 of the New York General Obligation Law to the extent that it mandates that the law of the State of New York govern).

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Company Authorization Letter



January 29, 2007

Barclays Bank PLC
Barclays Capital
200 Park Avenue
New York, NY 10166

Ladies and Gentlemen:

We refer to the proposed \$1,550,000,000 Senior Secured Credit Facilities (the "**Facilities**") for LandSource Communities Development LLC and its subsidiaries (the "**Company**") that you are arranging at our request, and the Confidential Information Memorandum forwarded herewith (the "**Confidential Information Memorandum**"). We have reviewed or participated in preparing the Confidential Information Memorandum and the information contained therein.

The Company has reviewed the information contained in the Confidential Information Memorandum and represents and warrants that the information contained in the Confidential Information Memorandum does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not materially misleading. Any management projections or forward-looking statements included in the Confidential Information Memorandum are based on assumptions and estimates developed by management of the Company in good faith and management believes such assumption and estimates to be reasonable as of the date of the Confidential Information Memorandum. Whether or not such projections or forward looking statements are in fact achieved will depend upon future events some of which are not within the control of the Company. Accordingly, actual results may vary from the projections and such variations may be material. The projections included in the Confidential Information Memorandum should not be regarded as a representation by the Company or its management that the projected results will be achieved.

The Company's securities are not publicly traded. The Company represents and warrants that the information contained in the Confidential Information Memorandum is either publicly available information or not material information (although it may be sensitive and proprietary) with respect to any of the Company's indirect owners that are publicly held or their securities for purposes of United States federal and state securities laws.

We request that you distribute the Confidential Information Memorandum to such financial institutions as you may deem appropriate to include in the Facility. We agree that we will rely on, and that you are authorized to rely on, the undertakings, acknowledgments and agreements contained in the Notice to and Undertaking by Recipients accompanying the Confidential Information Memorandum or otherwise acknowledged by recipients in connection with the Confidential Information Memorandum.

Yours sincerely,

Lennar Corporation

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LandSource Communities

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Syndication Timetable

January 2007							February 2007						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6					1	2	3
7	8	9	10	11	12	13	4	5	6	7	8	9	10
14	15	16	17	18	19	20	11	12	13	14	15	16	17
21	22	23	24	25	26	27	18	19	20	21	22	23	24
28	29	30	31				25	26	27	28			

 Holiday

Expected Timing

Date	Event
January 30	Lenders' Meeting (New York)
February 8	Newhall site tour
February 15	Lender commitments due Legal documents distributed
February 20	Comments due on legal documents
February 21	Close and fund Credit Facilities

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I. Executive Summary

Transaction overview

On December 28, 2006, Lennar Corporation ("Lennar") and affiliates of LNR Property Corporation ("LNR") entered into a definitive agreement to admit MW Housing Partners III, L.P. ("MWHP") as a new member to their existing strategic joint venture, LandSource Communities Development LLC ("LandSource", the "Company" or the "Borrower"^(a)). In return for its new ownership share, MWHP, an investment venture involving MacFarlane Housing, LLC ("MacFarlane," a wholly owned indirect subsidiary of MacFarlane Partners, LLC ("MacFarlane Partners")), the California Public Employees' Retirement System ("CalPERS"), and Weyerhaeuser Realty Investors ("WRI"), will contribute \$605 million^(b) of land assets to LandSource and make a cash equity investment of at least \$306 million. Simultaneously, LandSource will make a one-time cash distribution to its current members of approximately \$1.1 billion^(c) and refinance existing indebtedness (collectively, the "Transaction"). Pro forma for the Transaction, MWHP will have a 62%^(d) financial interest in LandSource, but will have 50% voting control. Lennar and LNR will continue to jointly serve as the managing member of the Company and will be responsible for day-to-day operational management.

The agreement provides for Lennar and LNR to receive up to an additional \$660 million of LandSource preferred capital ("Preferred Capital"), of which Lennar and LNR have the right to sell 62% to MWHP, based upon LandSource meeting certain performance metrics. The issuance of Preferred Capital will have no cash flow impact on LandSource. The Preferred Capital is realized in the event that LandSource exceeds revenue targets from the sale of certain Newhall and Valencia residential properties in two periods: (i) from December 1, 2006 through November 30, 2009 and (ii) from December 1, 2006 through November 30, 2011. Together, with Lennar's 19% ownership of LandSource and the importance of LandSource homesite takedowns to Lennar's business plan, the Preferred Capital provides further incentive for Lennar to continue to absorb LandSource homesites.

LandSource is one of the largest and most diversified mixed use land development companies in the United States. The joint venture was formed in 2003 by Lennar and LNR for the purposes of acquiring, developing and selling land assets to homebuilders and commercial buyers. Through its predecessors, joint ventures and partnerships, LandSource has been operating since 1997. LandSource is considered a strategically critical venture for both Lennar's homebuilding and LNR's commercial development operations. The Company's land portfolio totals over 35,000 residential homesites and commercial land in some of the most irreplaceable and valuable development areas throughout the Western and Southwestern United States. The Company's primary investment is The Newhall Land and Farming Company ("Newhall"), which consists of approximately 48,000

^(a) A newly formed wholly-owned subsidiary of LandSource, LandSource Holding Company, LLC, which, in turn, will be the parent of the entities owning all of the assets of LandSource, will be the borrower under the Credit Facilities.

^(b) Appraised asset value as determined by CB Richard Ellis on December 7, 2006.

^(c) This amount will be funded by the facilities described hereunder and will be adjusted based on MWHP's percentage financial interest in LandSource, the amount of cash MWHP contributes to LandSource, the final amount of the Credit Facilities and other factors.

^(d) While this Confidential Information Memorandum describes MWHP's financial interest as 62%, such financial interest may be between 60% and 75% depending upon the amount of cash MWHP contributes to LandSource, the final amount of the Credit Facilities and other factors. Similarly, Lennar's and LNR's financial interests, after MWHP's investment, are stated as 79% each in this Confidential Information Memorandum, but may be between 72.5% and 20% each, depending upon MWHP's financial interest.

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acres of land in the rapidly developing Santa Clarita Valley, located 30 miles north of downtown Los Angeles. With over 22,800 residential homesites and approximately 700 acres of commercial land, Newhall represents the majority of the approved homesites in the Santa Clarita Valley.

The Transaction allows LandSource to further augment and diversify its portfolio with MWHP's complementary and well developed land assets that contribute significant near-term cash flow. Additionally, the MWHP consortium brings strategic partners with a long history of real estate investing in the Company's key markets. Pro forma for the contribution of the MWHP properties, LandSource will hold aggregate land assets totaling \$2.6 billion in Appraised Value^(a).

In connection with the Transaction, LandSource has engaged Barclays Capital ("Barclays") to arrange \$1.55 billion of senior secured credit facilities (the "Credit Facilities"). Proceeds from the Credit Facilities will be used to finance the Transaction, as well as to support ongoing corporate purposes. The Credit Facilities will consist of (i) a 5-year \$200 million senior secured revolving credit facility (the "Revolving Credit Facility"), (ii) a 6-year \$1,050 million senior secured term loan B facility (the "Term Loan B Facility", together with the Revolving Credit Facility, the "First Lien Facilities") and (iii) a 7-year \$300 million second lien term loan facility (the "Second Lien Term Facility").

The Company has obtained ratings for the Credit Facilities. The Moody's family rating is Ba3, the First Lien Facilities are rated Ba2 and the Second Lien Term Facility is rated B2. The S&P corporate rating is BB, the First Lien Facilities are rated BB+, and the Second Lien Term Facility is rated BB. Advances under the Credit Facilities at the closing date will be limited to a maximum of 55% of Appraised Value and are subject to compliance with a borrowing base. Pro forma for the Transaction, loan-to-Appraised Value for the Credit Facilities is estimated at 51.7%, with loan-to-Appraised Value for the First Lien Facilities estimated at 40.4%.

The Credit Facilities present a very unique and attractive financing opportunity to investors as a result of:

- i. LandSource's valuable pool of developable and scarce land assets,
- ii. the strong sponsorship from Lennar, LNR and MWHP (MacFarlane, CalPERS and WRI), and
- iii. the Borrower's strong credit profile, reinforced by conservative loan-to-Appraised Value and strong cash flow supported by takedowns of homesites under Purchase Contracts and option agreements with Lennar.

^(a) Appraised Value is defined as the appraised asset value as determined by CB Richard Ellis on December 7, 2006 using the FIRREA compliant and "as-is" appraisal method and is pro forma for land sales expected to take place through February 7, 2007.

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Sources and uses

(\$'s in millions)

Sources		Uses	
Revolving Credit Facility ⁽¹⁾	\$15	Refinance Existing Debt ⁽²⁾⁽⁴⁾	\$246
Term Loan B Facility	1,050	Existing Investor Distribution ⁽³⁾	1,093
Second Lien Term Facility	300	Transaction Fees and Expenses ⁽⁴⁾	26
Total Sources	\$1,365	Total Uses	\$1,365

⁽¹⁾ Total Revolving Credit Facility commitment of \$200 million.

⁽²⁾ The MWHP cash contribution will be used to pay down a portion of the existing debt.

⁽³⁾ Existing investor distribution is funded from proceeds of the Credit Facilities. Amount reflected is estimated and subject to change. See prior discussion outlined on page 7, footnote (c).

⁽⁴⁾ Estimated amount subject to change based on final amount of existing investor distribution.

Pro forma capitalization

(\$'s in millions)	Pro Forma 2/1/2007	Loan to Appraised Value
Cash	\$59	
Revolving Credit Facility	15	0.6%
Term Loan B Facility	1,050	39.8%
Total First Lien Facilities	\$1,065	40.4%
Second Lien Term Facility	300	11.4%
Total Debt⁽¹⁾	\$1,365	51.7%
Market Equity Value ⁽²⁾	1,273	
Appraised Value of LandSource Assets	\$2,638	

⁽¹⁾ Does not include Valencia Water Company debt of \$77 million, which is not a part of the collateral pool or included under the borrowing base.

⁽²⁾ Based on an Appraised Value of \$2.6 billion. Estimated book equity at close will be \$787 million.

Key investment highlights

LandSource is an attractive investment opportunity

Significant Asset Coverage

- Loan-to-Appraised Value through the First Lien Facilities and Second Lien Term Facility of 40.4% and 51.7%, respectively
- \$2.6 billion of Appraised Value on an "as-is" basis
- FIRREA compliant appraisal performed by CB Richard Ellis as of December 1, 2006 and pro forma for expected homesite takedowns through February 1, 2007

Highly Strategic and Scarce Land Assets

- Highly strategic and scarce land assets for Lennar and LNR, as well as third party homebuilders and commercial developers
- Newhall is the only significant entitled, yet undeveloped, land asset in North L.A. County
- Total portfolio with diversified sites across CA, AZ, NJ, NV, TX and FL

Strong Cash Flow Generation

- Near-term cash flow supports land development expenses at Newhall and near-term deleveraging of the Credit Facilities
- Lennar's business plan includes the projected acquisition of approximately 75% of the planned homesite sales within the first three years
- LNR's business plan contemplates the projected acquisition of 100% of the planned commercial land sales within the first three years

Conservatively Structured Facilities

- Conservative borrowing base encompassing both the First Lien Facilities and Second Lien Term Facility
- Sponsor distributions not permitted during 2007 and 2008 (except tax distributions), and conditional thereafter
- Annual re-appraisal rights and triggers
- Covenant step-downs force deleveraging through the projected period
- First Lien Facilities ratings of BB+/Ba2 and Second Lien Term Facility ratings of BB/B2

Best-in-Class Sponsorship

- Lennar and LNR have a successful track record of acquisitions and development of land and master planned communities through LandSource and other profitable joint ventures
- MacFarlane/CalPERS/WRI are highly respected real estate investment partners, thus further supporting LandSource's future long-term goals

Proven Management Team

- Distinct management team comprised of experienced Newhall management, with each team members' years of experience averaging 25 years including 15 years at Newhall
- Long track record of successful operations

Key offering terms

\$1.55 billion Credit Facilities

Borrower	LandSource Holding Company, LLC					
Lead Arranger	Barclays Capital					
Administrative Agent	Barclays Bank PLC					
Credit Facilities	Credit Facilities	Amount	Tenor	Ratings	Pricing	
	Revolving Credit Facility:	\$200	5 years	Ba2/BB+	TBD	
	Term Loan B Facility:	\$1,050	6 years	Ba2/BB+	TBD	
	Second Lien Term Facility:	\$300	7 years	B2/BB	TBD	
Commitment Fee	Revolving Facility:	0.50% if usage <50%; 0.375% if usage ≥50%				
Call Premium	Term Loan B Facility:	None				
	Second Lien Term Facility:	102 in year one and 101 in year 2				
Term Loan Amortization	Term Loan B Facility:	1% in years 1-5, remainder in year 6				
	Second Lien Term Facility:	None				
Incremental Facility	The Borrower may increase the amount of the Term Loan B Facility by up to \$500 million, subject to no event of default, pro forma compliance and customary mark-to-market provisions					
Mandatory Prepayments	<ul style="list-style-type: none"> ■ 100% of asset sales, receipt of insurance proceeds and incurrence of debt ■ 50% of equity offerings and excess cash flow (subject to TBD step-downs) 					
	Security	First Lien Facilities:	100% of the capital stock and assets of the Borrower and those subsidiaries pledging assets constituting the Borrowing Base			
	Second Lien Term Facility:	Second lien on collateral securing the First Lien Facilities				
Guarantee	Downstream guarantee from LandSource Communities Development LLC and upstream guarantees from the subsidiaries providing liens on the assets constituting the Borrowing Base					
Borrowing Base	Maximum debt based on borrowing base availability					
Financial Covenants	<ul style="list-style-type: none"> ■ Maximum net debt to book capitalization ■ Minimum fixed charge coverage ratio 					
	Liquidity: If the Borrower is not in compliance with the minimum fixed charge coverage ratio covenant, the Borrower will be subject to a minimum liquidity (unused portion of Revolving Credit Facility plus cash) test					
Permitted Distributions	<ul style="list-style-type: none"> ■ No distributions during 2007 and 2008 (except for permitted tax distributions) ■ Excess cash flow sweep provision will be satisfied prior to any permitted distribution ■ Permitted distributions restricted by specific loan-to-appraised value limitations ■ LandSource has the option to repay the Second Lien Term Facility in lieu of permitted distributions 					
	Appraisal Triggering Events	<ul style="list-style-type: none"> ■ Upon the request of the Administrative Agent, up to once per year ■ Upon the first permitted distribution (that is not a permitted tax distribution) or permitted voluntary prepayment of the Second Lien Term Facility unless an appraisal has been completed within the prior 6 months ■ At the end of fiscal years 2007 and 2008, if more than 20% of total value of homesites optioned are not taken-down and/or are renegotiated by Lennar during such year 				

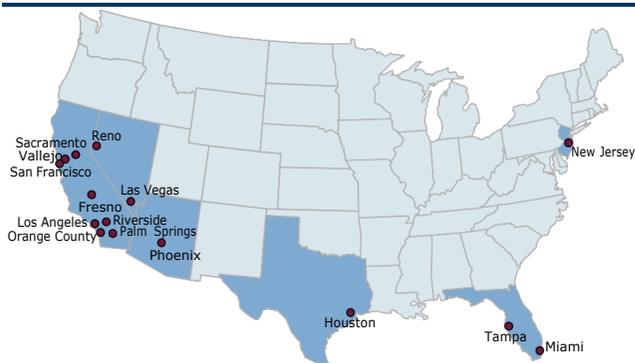
LandSource Communities

Company overview

LandSource is one of the largest and most diversified land development companies in the United States. On a pro forma basis, the Company will own over 80 commercial and residential communities throughout the United States, with a total current Appraised Value of \$2.6 billion. The Company's land assets are predominantly located in the Western and Southwestern United States, including California, Nevada, Arizona and Texas, with other properties located in New Jersey and Florida.

The following map provides an overview of the location of key strategic assets for LandSource.

LandSource Site Locations



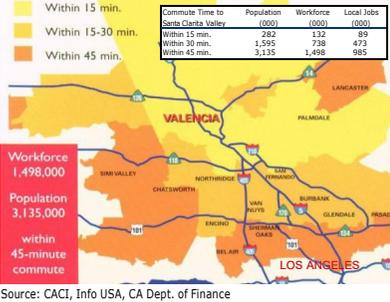
LandSource's primary objective is to secure strategically located and scarce land assets in regions with fundamentally strong population growth demographics and to develop the land for residential and commercial use. The Company's full range of land development processes provides a long-term pipeline of assets for Lennar and LNR, as well as other third party homebuilders and commercial developers. LandSource provides acquisition, planning, zoning, legal, development and marketing for the land to become a master planned community or commercial site. LandSource also provides additional services for some of its communities, including water supply from Valencia Water Company. It also derives income from land leasing through its agriculture and energy division.

LandSource was formed in November 2003 by Lennar and LNR to acquire, and act as a holding company for six jointly owned partnerships and limited liability companies created by the partners as early as 1997 to acquire land for residential and commercial development. Upon the 2003 formation of LandSource, the predecessor joint ventures collectively contributed 31,500 potential homesites and 124 acres of land for residential and commercial development.

In January 2004, LandSource further enhanced its asset base through its acquisition of Newhall, a development of residential, industrial and commercial real estate in two master planned communities, Newhall Ranch and Valencia,

LandSource Communities

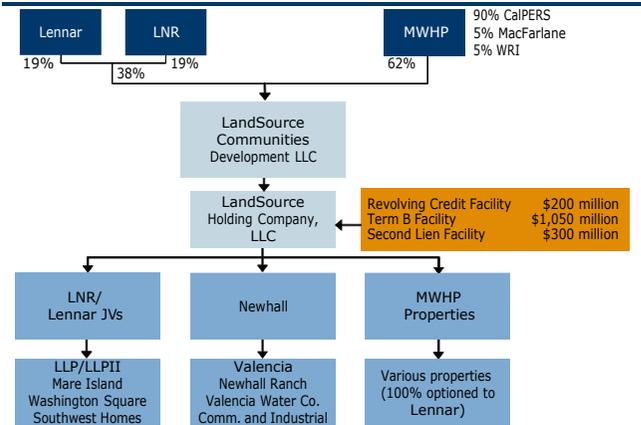
located 30 miles north of Los Angeles. The Newhall acquisition included 48,000 acres of entitled and unentitled land for homebuilding and commercial developments. This represents the majority of nearby land available for new housing to support Los Angeles' metropolitan population of 11 million and 4 million jobs.



The addition of MWHP's portfolio of strong, nearly developed land assets augments LandSource's long-term assets with robust and predictable short-term cashflow.

Pro forma organization structure

Pro forma organizational structure of LandSource



LandSource Communities

Sponsor overview

The Transaction is supported by three leading real estate investors, each with extensive experience in land development and with considerable financial strength.

Lennar Corporation

Lennar (BBB/Baa2), founded in 1954, is one of the largest homebuilders in the U.S. based on homebuilding revenues, deliveries and net earnings, with market capitalization of approximately \$8 billion. Lennar's homebuilding operations include the sale and construction of single-family attached and detached homes, as well as the purchase, development and sale of residential land directly and through unconsolidated entities such as LandSource. Lennar is one of the most geographically diversified homebuilders in the nation. Additionally, Lennar is considered to have one of the lowest cost land positions of any homebuilder due to its disciplined approach to acquiring land and entering into strategic joint ventures, such as LandSource. Lennar has performed consistently through economic cycles with a strong focus on its balance sheet. As of November 30, 2006, Lennar had \$2.9 billion of liquidity comprised of \$662 million in unrestricted cash and \$2.2 billion of capacity under its revolving credit facility. Historically, Lennar has operated within a debt-to-capitalization ratio range of 35-45%.

LNR Property Corporation

LNR (B+/B2) has been engaged in the development, ownership and management of commercial properties and land since 1969. Until October of 1997, LNR operated as a division of Lennar at which time it was spun off to become a separate public company. In February 2005, LNR was acquired by entities controlled by affiliates of Cerberus Capital Management, L.P. LNR manages in excess of \$5 billion in real estate properties, loans and securities for its own account and for others. LNR is responsible for the special servicing of over \$200 billion of real estate loans which collateralize commercial mortgage backed securities in the United States and Europe.

MW Housing Partners

MWHP is an investment venture involving CalPERS (member), MacFarlane (co-managing member), and WRI (co-managing member), and their investment into LandSource will be 95%:2.5%:2.5%, respectively. Through MW Housing, MacFarlane Partners and WRI have invested in single-family housing land and development projects since 1995 on behalf of its venture with CalPERS (rated Aaa by Moody's), the nation's largest public pension fund with more than \$220 billion in assets under management. Based in San Francisco, MacFarlane Partners is one of the leading real estate investment management firms in the United States with \$12 billion in real estate assets under management. WRI has been making investments in residential real estate projects since its formation in 1970 through equity, subordinated fixed-rate and participating loans to public and private homebuilders nationwide.

LandSource Communities

Collateral and covenant package overview

Collateral overview and appraisal summary

The Credit Facilities will be secured by properties owned by LandSource, including the MWHP properties, which all are in various stages of development. As part of the Transaction, a FIRREA compliant appraisal was performed by CB Richard Ellis ("CBRE") as of December 1, 2006. The "as-is" appraisals reflect the current market value of both the LandSource and MWHP assets. As of December 1, 2006, the portfolio encompassed in excess of 35,000 residential homesites. The collateral includes agricultural, commercial, multifamily and industrial land from less than one acre (Castaic Teardrop) to approximately 16,000 acres (Valencia agricultural and energy land), the TPC golf course, master planned communities and individual residential planning areas ranging in size from 30 homesites to 8,100 homesites. The collateral for the Credit Facilities, adjusted for homesite and commercial land sales through February 1, 2007, has an Appraised Value of approximately \$2.6 billion.

Borrowing base

Borrowings under the Credit Facilities will be at all times limited by a borrowing base. The borrowing base is determined on a property-by-property basis according to the completion level of properties under development at LandSource, and has additional limitations on advances by completion level. Completion status of the properties ranges from most developed land subject to an irrevocable Purchase Contract with Lennar or other investment grade homebuilders, which carries an advance rate of 95% to Contract Value^(a), to least developed, unentitled land, which has a 20% advance rate on Appraised Value, and is limited to no more than 5% of the total availability of the borrowing base.

Certain LandSource assets currently owned and which may be hereafter acquired are not pledged as security to the Credit Facilities, and therefore are not included in the borrowing base. Assets excluded from the security package and the borrowing base are typically subject to joint ventures between LandSource and other parties or other pledges of security interest and include: Valencia Water Company, Winncrest, Placer Vineyards and Tampa Palms communities.

The borrowing base will be calculated at the closing date, on a quarterly basis and thereafter upon each draw of the Revolving Credit Facility by multiplying the advance rate for each respective asset class by the lesser of the Appraised Value or the Contract Value.

^(a) The Contract Value is defined as the specified option value as of December 28, 2006 of such asset in the applicable option contract or the specified purchase contract value as of December 28, 2006 of such asset in the applicable purchase contract (the "Purchase Contract") with Lennar or other third party homebuilders.

LandSource Communities

The following table sets forth the expected borrowing base as of February 1, 2007.

Borrowing Base Category				
(\$'s in millions)	Appraised Value	Advance Rate	Borrowing Base	% of Total
Land under Approved Mandatory Sales Contracts with Lennar or Investment Grade Homebuilders ⁽¹⁾	\$132	95%	\$145	9.4%
Land under Approved Option Contracts with Lennar ⁽¹⁾	597	75%	430	27.8%
Finished Homesites	76	75%	57	3.7%
Washington Square	39	75%	29	1.9%
Land Under Development	195	60%	117	7.5%
Entitled Land (that is not Land Under Development)	1,292	50%	646	41.8%
TPC Golf Course	8	50%	4	0.3%
Unentitled Land ⁽²⁾	139	20%	28	1.8%
Agriculture and Energy	160	20%	32	2.1%
Cash on balance sheet	-	100%	59	3.8%
Total	\$2,638		\$1,547	100.0%
Funded Credit Facilities at Close	1,365		1,365	
Cushion	\$1,273		\$182	

⁽¹⁾ In the case of Land under Approved Mandatory Sales Contracts with Lennar or Investment Grade Homebuilders, the advance rate is applied to Contract Value of \$753 million. In the case of Land under Approved Option Contracts with Lennar, the advance rate is applied on an individual basis to the lesser of Appraised Value and Option Contract Value of \$743 million.

⁽²⁾ Unentitled land advance rate category capped at no more than 5% of the borrowing base.

Covenant package

The Credit Facilities have been structured to govern the Company's financial performance, while protecting against any potential diminution in market values. In addition to the borrowing base limitations governing loan-to-value, LandSource's facilities will be limited by (i) a net debt to book capitalization ratio and (ii) a fixed charge coverage ratio. The Transaction is structured such that Lennar and LNR are admitting a new member to the LandSource joint venture and not selling an equity stake in LandSource. Accordingly, GAAP does not allow LandSource to write-up its assets to current Appraised Value. As a result of the transaction accounting, GAAP book equity for the Company will be approximately \$181 million. LandSource's pro forma GAAP capitalization results in a net debt-to-book capitalization ratio at issue of 84%; pro forma Loan-to-Appraised Value will be 51.7%.

The annually reducing net debt-to-book capitalization covenant is designed to monitor operating performance as well as to ensure deleveraging. In addition, a fixed charge covenant has been designed to ensure sufficient annual cash generation by the Company and adequate liquidity to meet operating needs.

LandSource Communities

Pro forma financial information

Pro forma, fiscal year ending November 30, 2006⁽¹⁾

(\$'s in millions)	LandSource Communities Development LLC ⁽²⁾	MW Housing Partners III LP ⁽³⁾	Pro Forma Combined
Revenues			
Land Sales:			
Land sales to related parties	\$190.6	\$378.0	\$568.6
Land sales to third parties	78.8		78.8
Total land sales	\$269.4	\$378.0	\$647.4
Sale of homes	26.7		26.7
Total revenues	\$296.1	\$378.0	\$674.1
Costs and expenses			
Cost of land sales:			
Land sales to related parties	148.4	378.5	526.9
Land sales to third parties	33.0		33.0
Total cost of land sales	\$181.4	\$378.5	\$559.9
Cost of homes sold	23.5		23.5
SG&A	42.4		42.4
Management fees paid to related parties	7.5	0.3	7.8
Total costs and expenses	\$254.8	\$378.8	\$633.6
Equity in earnings from unconsolidated entities	5.0		5.0
Other income, net	4.7		4.7
Earnings from continuing operations	51.0	(0.8)	50.2
Earnings from discontinued operations	40.7		40.7
Net earnings	\$91.7	\$(0.8)	\$90.9

⁽¹⁾ Unaudited.

⁽²⁾ Excludes \$50.5 million impairment charge for Southwest Communities.

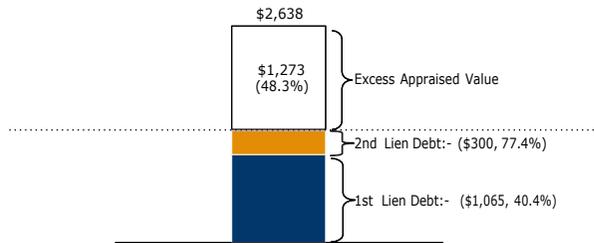
⁽³⁾ Includes financial results associated with assets contributed to LandSource.

II. Key Investment Considerations

Significant asset coverage

The Credit Facilities benefit from substantial asset coverage. The Company's land portfolio has been appraised by CB Richard Ellis as of December 1, 2006, with certain adjustments for lot takedowns through February 1, 2007. As a result, the appraisal captures current regional market conditions, as well as the development stage of each individual asset. The Appraised Value using an "as-is" methodology is \$2.6 billion, which results in loan-to-Appraised Value of 51.7% at close. The following chart illustrates the conservative loan-to-value at close.

Pro Forma Loan to Appraised Asset Value as of Feb. 1, 2007



In addition to the conservative loan-to-Appraised Value at close, the Credit Facilities further benefit from the borrowing base, which at all times limits total indebtedness at LandSource. At close, the borrowing base supports \$1.5 billion of debt capacity, allowing for roughly \$182 million of liquidity under the Revolving Credit Facility. Going forward, the borrowing base will be updated prior to each borrowing under the Revolving Credit Facility, but no less than quarterly.

Highly strategic and scarce land assets

LandSource's portfolio consists of some of the most highly strategic and scarce land assets in the United States, including Newhall. The majority of the Company's land assets are located within Metropolitan Statistical Areas ("MSA") with the following attributes that make them strategically important to Lennar, LNR and other third party homebuilders:

- Areas of strong projected population growth prospects, all above the national average
- Robust economies supported by multiple industries
- Areas with a scarcity of developable land
- Housing supply/demand imbalance that lend support to near and long-term land and home price appreciation

LandSource Communities

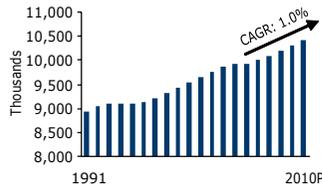
The primary MSAs in which a substantial portion of LandSource assets are located is Los Angeles, Sacramento, Las Vegas, and Vallejo-Fairfield.

As demonstrated by the charts below, LandSource's primary MSAs are located in regions of the U.S. where population growth and personal income growth are above the national average. As well, in these regions, average growth in population has outpaced growth in single family permit issuance.

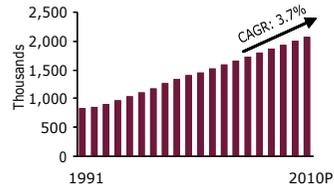
Annual Population Growth

US National Average CAGR 2006P - 2010P: 0.8%⁽¹⁾

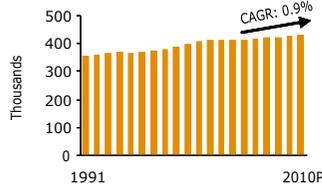
Los Angeles



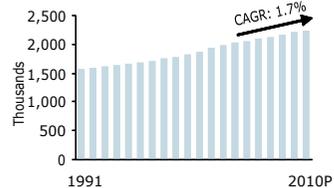
Las Vegas



Vallejo-Fairfield



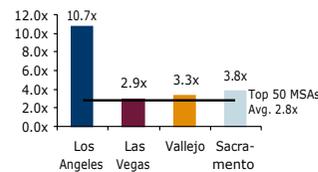
Sacramento



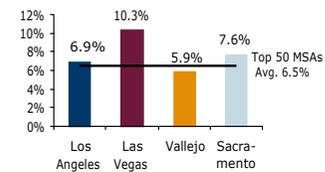
Source: Rosen Consulting and U.S. Census Bureau.
⁽¹⁾ CAGRs based on projected period of 2006P - 2070P.

2006P-2010P Population Growth to Single Family Permits Ratio and Personal Income Growth ⁽¹⁾

Population Growth to Single Family Permits Ratio⁽²⁾



Personal Income Growth



Source: Rosen Consulting and U.S. Census Bureau.
⁽¹⁾ CAGRs based on Rosen Consulting data for the top 50 MSAs for the projected period of 2006P - 2070P.
⁽²⁾ Population growth divided by single family housing permits.

LandSource Communities

The majority of LandSource's properties are in the Los Angeles metropolitan area, which represents one of the most attractive homebuilding markets in the U.S. Los Angeles has the largest population of any metropolitan area in the country and is also one of the most homesite constrained in terms of available undeveloped, but entitled, land. Most of the major homebuilders, including Lennar, DR Horton, Standard Pacific, Hovnanian, Beazer Homes, Centex and KB Home have operations in Los Angeles, evidencing their strong belief of demand for homesites in the supply-constrained market. Within the L.A. region, LandSource has secured some of the last available properties through its acquisition of Newhall, which represents a majority of the approved homesites available in the Santa Clarita Valley. As a result, LandSource remains a highly strategic asset for Lennar and LNR, as well as third party homebuilders and commercial developers.

Diversified, stable and strong cash flow generation

Over the next three years, LandSource expects to generate substantial revenue and free cash flow before debt service, resulting in rapid deleveraging. The stability of the Company's cash flow is underpinned by (i) the diversity of the Company's land assets in terms of geography, stage of development and product offering and (ii) the significant portion of the projected site takedowns currently under Purchase Contract, option agreement or rights of first offer.

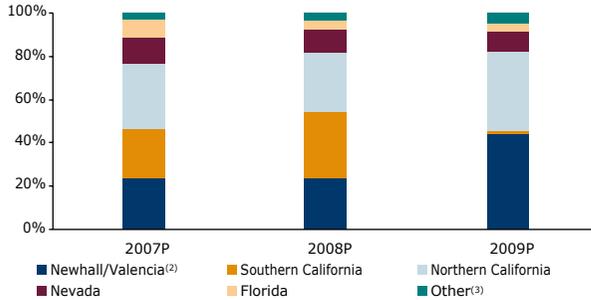
Cash flow visibility

Lennar's commitment to LandSource, is evidenced by the Purchase Contracts, option agreements and rights of first offer, and provides certainty to near term cash flows and accounts for over 70% of LandSource's revenue over the next three years. To this end, the Credit Facilities require mandatory re-appraisal of the Company's assets should Lennar renegotiate or fail to takedown 20% or more of the total value under option contract in any one year. LNR's business plan contemplates the projected acquisition of 100% of the planned commercial land sales within the first three years. In addition to Lennar's absorption of its homesites, LandSource has established relationships with leading homebuilders and commercial developers in each region, thereby maintaining strong visibility of future cash flows. Third party homebuilders accounted for 65% of revenue contribution in 2004 and 71% of revenue contribution in 2005. LandSource will continue to support interest in the land assets from third party homebuilders.

Cash flow diversity

In addition to the high degree of certainty of revenue, LandSource's diversified portfolio of land assets further serves to stabilize future revenue and cash flows. Over the next three years, revenues will be generated as follows: 29% from Santa Clarita (northern L.A. area), 20% from Southern California, 31% from Northern California, 11% from Nevada, 5% Florida and 4% from other regions throughout the United States.

Annual Revenue Contribution by Region⁽¹⁾



⁽¹⁾ 2007 projections reflect 70 months ending November 30, 2007.

⁽²⁾ Includes commercial revenue.

⁽³⁾ Includes Texas, New Jersey, Arizona, and Central California.

Conservatively structured Credit Facilities

LandSource seeks to maintain conservatively structured facilities that support its corporate needs. The First Lien Facilities and the Second Lien Term Facility, which are rated BB+/Ba2 and BB/B2, respectively, have the following restrictions and governance:

Borrowing base limitations on debt capacity

Borrowings are strictly tied to availability under the borrowing base advance limitations.

Financial covenants

The financial covenant package will include an annually reducing net debt to book capitalization ratio and a minimum fixed charge coverage ratio, with a liquidity cure.

Limitation on distributions

- No distributions to the sponsors are permitted during the first two years (2007 and 2008) of the Credit Facilities, except for tax purposes
- Excess cash flow sweep provision will be satisfied prior to any permitted distribution
- Permitted distributions are restricted by specific loan-to-appraised value limitations
- LandSource has the option to repay the Second Lien Term Facility in lieu of making a permitted distribution

Re-Appraisal triggering events

- Annually upon the request of the Agent
- Upon the first permitted distribution (not including permitted tax distributions) if no appraisal has been completed within the previous six months
- In the event Lennar declines to exercise and/or renegotiate options constituting in excess of 20% of Contracted Value in any given year in 2007 and/or 2008

LandSource Communities



Best-in-class sponsorship

The investor consortium of Lennar, LNR, MacFarlane, WRI and CalPERS represents a unique and strong partnership amongst leading real estate development companies and investors. Lennar (BBB/Baa2) is one of the nation's largest homebuilders with an equity market value of approximately \$8 billion and significant experience in site development and absorption of properties. LNR (B+/B2) is a market leader in real estate specialty finance, management and development, managing over \$5.0 billion of real estate properties and securities for its own account and others. CalPERS (rated Aaa by Moody's) is the largest public pension investor in the United States with over \$17 billion of real estate assets (7.5% of its total investments). MacFarlane Partners currently manages \$12 billion in real estate equity and debt assets in markets nationwide on behalf of institutional investor clients. WRI has been making investments in residential real estate projects since its formation in 1970 through equity, subordinated fixed-rate and participating loans. Together, these entities represent a leading investing group that has significant experience in purchasing and developing land for residential and commercial purposes.

Proven management team

The Company's development is overseen by its highly experienced management team and the board governance of Lennar, LNR, and MWHP. Lennar and LNR, together, have significant experience in, and a long track record of, successfully developing mixed-use master-planned communities. Since 1997, LandSource's legacy partnerships and joint ventures have been acquiring and developing land for master planned communities and commercial development. The acquisition of Newhall in 2004 further broadened the Company's expertise by adding a management team with an average of over 25 years of land development experience including 15 years at Newhall.

The Company's expertise allows it to:

- acquire scarce and highly sought after land assets
- utilize its expertise to develop within geographically and politically diverse regions and meet regulatory requirements through permitting, zoning and environmental compliance,
- time the development of properties to the current rate of market absorption
- benefit from economies of scale in land development
- package communities to optimize revenue and margin contribution

LandSource's management team has a long operating history and has demonstrated a successful track record in acquiring and developing land for residential and commercial use. Noteworthy projects, that in connection with the spin-off of LNR became assets of Lennar Land Partners, the predecessor of LandSource, include:

Coto de Caza

In 1996, a Lennar joint venture acquired 1,300 homesites in the land constrained market of Orange County, California. The development generated \$97 million in bulk sales from 1996 to 2003. Over 60% of the homesites were sold to third party

LandSource Communities

homebuilders, including Toll Brothers, MDC, Taylor Woodrow, Brookfield and Laing Homes.

Stevenson Ranch

Also in 1996, a Lennar joint venture obtained 5,600 homesites in Los Angeles County adjacent to Newhall Ranch. The residential development was planned in five phases with the fifth phase yet to be completed. Pare down of the development resulted in bulk sales of \$47 million from 1998 to 2002. As part of the development, LNR also purchased an 11-acre apartment site. Over 75% of the homesites have been sold to third party homebuilders including Centex, MDC, Shea Homes and Laing Homes.

Natomas

In 2000, a Lennar and LNR joint venture acquired 7,500 single-family and multi-family homes in the fast growing market of Sacramento County, California. Over 45% of the homesites have been sold to third party builders including Centex, Pulte, Ryland, D.R. Horton and Laing Homes.

LandSource Communities

III. Summary Terms and Conditions

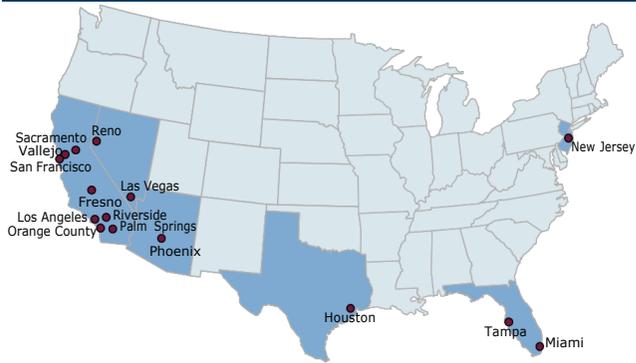
Posted separately to IntraLinks

IV. LandSource Overview

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The following map provides an overview of the location of key strategic assets for LandSource.

LandSource Site Locations



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Newhall Ranch and Valencia

In January 2004, LandSource acquired Newhall, a development of residential, industrial and commercial real estate in two master planned communities, Newhall Ranch and Valencia, 30 miles north of Los Angeles for approximately \$1 billion. The Newhall acquisition included 48,000 acres of entitled and unentitled land in the rapidly growing Santa Clarita valley for homebuilding and commercial development. In addition to the acreage acquired in the Newhall transaction, the management team at Newhall, with an average of over 15 years of land development experience at Newhall, joined LandSource and has since played a primary role in the management of the Company's property development.

The Newhall Ranch and Valencia master planned communities are unique and well positioned long term assets in a region with attractive attributes. The Newhall Ranch and Valencia properties represent the majority of nearby land available for new housing to support L.A.'s population of 11 million and 4 million jobs. North L.A. contains a large concentration of businesses, with over 55,000 jobs in Valencia alone. Newhall and Valencia are sited as the northern gateway to the metropolitan L.A. area and are proximal to major highways. Additionally, Newhall and Valencia possess well-regarded school districts with new schools, parks and public amenities and are consistently voted within the top ten safest cities with populations of over 100,000.

Newhall and Valencia



LandSource Communities



Top: Newhall and Valencia Bottom Left: Newhall Ranch



Bottom Right: River and Soledad Village in Valencia

Since Newhall's acquisition by LandSource in 2004, home prices in the Newhall and Valencia regions have appreciated approximately 35%. In 2006, home prices in the Newhall and Valencia regions remained relatively flat^(a), and as a result of the highly strategic nature of this asset, did not experience any material reduction in value as seen in the overall U.S. housing market. Moreover, new homes sold in Valencia have historically priced at a 10% to 15% premium to new homes in neighboring Santa Clarita communities. Management believes this trend will continue in the future.

The development of the Newhall Ranch communities is a large and long-term initiative by LandSource with the expectation that homesite sales will commence in 2010.

MWHP

The contribution of the MWHP properties further augments LandSource with a portfolio of developed land that is at, or nearing, completion for sale. The MWHP properties (i) provide further diversity to the Company's products, asset base and revenue stream with strategically located properties primarily in California, and (ii) provide substantial near term cash flow to LandSource. A majority of the MWHP assets will be available for home development during the next three years and all contributed MWHP homesites are under option agreements for sale to Lennar.

^(a) The Residential Economic Report, January, 2007

LandSource Communities

Integration of LandSource, Newhall and MWHP into portfolio

The following chart provides a project update as well as an overview of the integration of the Newhall and MWHP assets to LandSource.

Update and overview of LandSource, Newhall and MWHP properties

Integration	<ul style="list-style-type: none"> ■ Management team with strong track record retained ■ Corporate governance in place ■ Systems integration completed
Entitlement	<ul style="list-style-type: none"> ■ Entitlement process significantly advanced <ul style="list-style-type: none"> – Valencia Entitlements largely in place. Grading is almost complete in majority of communities – Newhall Ranch Specific Plan Approved; Tentative Tract Maps have been submitted for approximately 11,000 homesites and will be approved over the next few years. The Tentative Tract Map for approximately 8,000 homesites will be submitted in late 2007
Development Timelines	<ul style="list-style-type: none"> ■ Development currently underway in many communities including Valencia, and development timelines are well understood ■ Development on all MWHP assets is at or near completion
Costs	<ul style="list-style-type: none"> ■ Costs have been largely contracted for near-term projects to third parties ■ MWHP option agreements have a fixed price development agreement with Lennar
Absorption	<ul style="list-style-type: none"> ■ Relevant sales and absorption information are more readily available ■ Many LandSource properties, including the MWHP properties, are a part of active communities where homesites have already been purchased by Lennar and other third party homebuilders

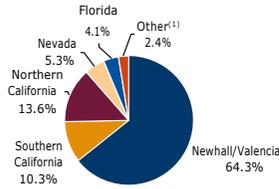
Property portfolio overview

The properties within the LandSource portfolio are located predominantly in the Western and Southwestern regions of the United States, with 89% of the homesites located in California. Within the state of California, the Company's assets breakdown as follows: (i) 72% in Newhall and Valencia (the Santa Clarita Valley), (ii) 15% in Northern California, primarily Sacramento, (iii) 12% in Southern California^(a) and (iv) 1% in Central California. Additionally, LandSource owns land assets in Nevada, Florida, Texas, New Jersey, and Arizona. The following provides a breakdown of the Company's assets by location and borrowing base category.

^(a) Southern California does not include Newhall and Valencia properties for the purpose of this Confidential Information Memorandum.

LandSource Communities

Homesites by Geography
February 1, 2007

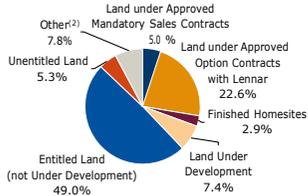


Total Homesites: 36,399

⁽¹⁾ Includes Texas, New Jersey, Arizona and Central California.

⁽²⁾ Includes Washington Square, TPC Golf Course and agriculture & energy division.

Appraisal Value by Borrowing Base Category
February 1, 2007



Appraised Value: \$2.6 billion

LandSource's business plan includes long-term homesite takedowns that are consistent with historical regional absorption rates, and are anchored by commitments from Lennar and LNR.

LandSource backlog

A majority of LandSource's near-term available assets are under Purchase Contracts, option agreements or rights of first offer with Lennar. Approximately 75% of the planned closings in the next three years will be generated from Lennar's and LNR's commitment, options or rights of first offer, generating significant revenue and cash flow through 2009. Lennar's commitment to homesite takedowns from LandSource is part of its business plan and is evidenced by the option agreements and Purchase Contracts Lennar has in place. LNR's business plan contemplates the projected acquisition of 100% of the planned commercial land sales of LandSource in the first three years. As LandSource develops its land assets, Lennar will evaluate the properties it intends to secure under option agreement or Purchase Contract, and makes a security deposit to LandSource. Lennar also has rights of first offer on a majority of near-term projects. As Lennar sells off its developed homes, it continually looks to option attractive land assets such as those at LandSource. Pro forma for the Transaction, Lennar has option agreements and Purchase Contracts on over 5,000 homesites most of which will be taken down within the next three years.

The use of options for a homebuilder, such as Lennar, reduces business risk by providing considerably more flexibility in managing land inventory than does outright ownership, and improves asset turnover as well as return on capital. LandSource's Purchase Contracts with Lennar currently have specific performance guarantees and are obligations under which Lennar is required to take possession of the land whether or not the economics remain favorable. Generally, option agreements with Lennar are contracts under which Lennar has made a 5-10% down payment, but ultimately retains the right to not purchase the land, subject to forfeiture of its deposit. Under rights of first offer-contracts, Lennar has the first opportunity to negotiate an option agreement or Purchase Contract when LandSource decides to sell a homesite.

LandSource Communities

Property Summary

Newhall Ranch and Valencia



Newhall Ranch	
Location	Newhall Ranch, CA
Total Acres ^(a)	7,552
Total Homesites	19,192
Appraised Value ^(a)	\$1,204 MM
Contract Value	N/A
Advance Rate Category	Entitled Land (that is not Land Under Development)
Advance Rate	50%

Valencia	
Location	Valencia, CA
Total Acres ^(a)	1,222
Total Homesites	4,287
Appraised Value ^(a)	\$298 MM
Contract Value ^(b)	\$268 MM
Advance Rate Category	Various ^(c)
Advance Rate	50 95%

^(a) Excludes commercial, industrial, agricultural, energy and TPC golf course.

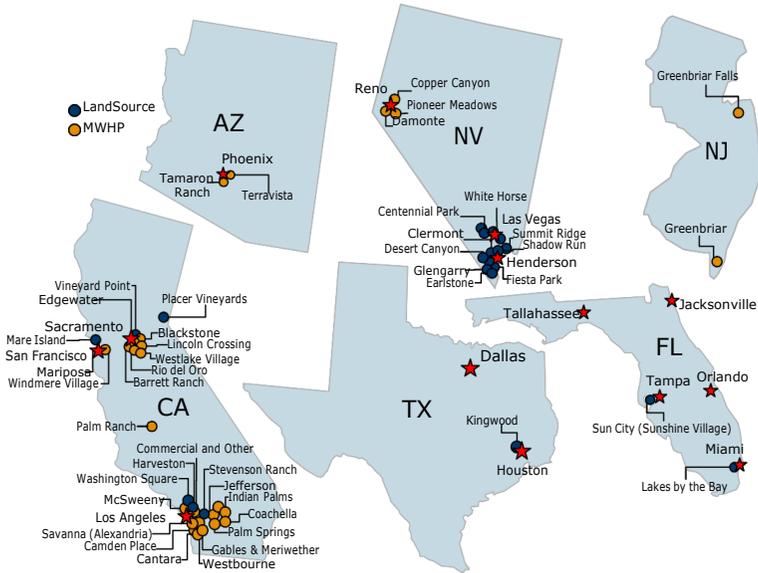
^(b) Certain Valencia properties are not under contract, therefore the Contract Value is less than the Appraised Value.

^(c) Valencia properties include Land under Approved Mandatory Sales Contracts with Lennar or Investment Grade Homebuilders, Land under Approved Option Contracts with Lennar, Land Under Development and Entitled Land (that is not Land Under Development).

LandSource Communities

Property Summary (cont'd)

MWHP and LandSource (excluding Newhall & Valencia)



MWHP Properties		LandSource (excl. Newhall & Valencia)	
Location	CA, NV, NJ, AZ	Location	Henderson and Las Vegas, NV, FL, TX
Total Acres	1,016	Total Acres	3,846
Total Homesites	3,938	Total Homesites	9,057
Appraised Value	\$490 MM	Appraised Value	\$442 MM
Contract Value	\$597 MM	Contract Value	\$150 MM
Advance Rate Category	Land under Approved Option Contracts with Lennar	Advance Rate Category	Various ^(a)
Advance Rate	75%	Advance Rate	75-95%
Completion Value	\$701 MM	Completion Value	\$155 MM

^(a) Southwest properties include Land under Approved Option Contracts with Lennar and Land under Approved Mandatory Sales Contracts with Lennar or Investment Grade Homebuilders.

LandSource Communities

Detailed Property Description

Summary of Land Developments							
(\$'s in millions)							
Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Project		Homesites
					Land Dev. Start Date	Land Dev. End Date	
Newhall/Valecia							
Newhall	Los Angeles	Residential	\$1,204		12/1/2008	2/1/2018	19,192
Valecia	Los Angeles	Residential	298	\$268	Dev. Started	10/1/2016	4,287
Total Newhall/Valecia			\$1,502	\$268			23,479
LandSource ex-Newhall							
Sun City	Tampa	Residential	\$27	\$	Dev. Started	11/1/2011	1,104
Stevenson	Los Angeles	Residential	126		1/1/2011	11/1/2014	2,500
Winncrest	Sacramento	Residential			8/1/2007	5/1/2010	2,535
Southwest ^{(a)(b)}	Las Vegas	Residential	139	150	Dev. Started	4/1/2007	1,098
Mare Island	Oakland	Residential	76		Dev. Started	9/1/2010	1,122
Lakes by the Bay	Miami	Residential	28		Dev. Started	2/1/2008	390
Kingwood	Houston	Residential	7		Dev. Started	11/1/2009	186
Washington Square	Los Angeles	Residential	39		Dev. Started	12/1/2008	122
Total LandSource ex. Newhall			\$442	\$150			9,057
MWHP^{(c)(d)}							
Alexandria Savannah	Orange	Residential	\$11	\$12	Dev. Started	6/7/2007	57
Barrett Ranch	Sacramento	Residential	1	1	Dev. Started	1/1/2007	7
Blackstone	El Dorado Hills	Residential	122	164	Dev. Started	12/1/2007	827
Camden Place	Orange	Residential	11	10	Dev. Started	6/1/2007	71
Cantara	Orange	Residential	8	6	Dev. Started	3/1/2007	17
Coachella	Riverside	Residential	18	18	Dev. Started	1/1/2008	240
Copper Canyon	Lyon	Residential	10	17	Dev. Started	11/1/2007	200
Damonte Village	Washoe	Residential	31	47	Dev. Started	6/1/2008	575
Edgewater	Yuba	Residential	2	1	Dev. Started	1/1/2007	20
Greenbriar and Tinton Falls	Monmouth	Residential	16	22	Dev. Started	5/1/2009	119
Greenbriar at Cape May	Cape May	Residential	15	19	Dev. Started	5/1/2009	164
Harveston	Riverside	Residential	42	50	Dev. Started	1/1/2008	255
Indian Palms	Riverside	Residential	6	4	Dev. Started	NA	68
Jefferson	Riverside	Residential	13	10	Dev. Started	1/1/2007	64
Lincoln Crossing	Placer	Residential	14	12	Dev. Started	1/7/2007	94
Mariposa	Contra Costa	Residential	13	14	Dev. Started	NA	66
McSweeney	Riverside	Residential	6	6	Dev. Started	12/1/2007	61
Palm Ranch	Tulare	Residential	14	29	Dev. Started	8/1/2007	265
Palm Springs Classic	Riverside	Residential	41	55	Dev. Started	12/1/2007	191
Pioneer Meadows	Washoe	Residential	5	3	Dev. Started	1/7/2007	40
Rio Del Oro	Yuba	Residential	7	5	Dev. Started	1/7/2007	55
Tamaron Ranch	Pinal	Residential	1	1	Dev. Started	4/1/2007	55
Terra Vista	Maricopa	Residential	3	3	Dev. Started	10/1/2007	88
The Gables and Meriwether	Orange	Residential	32	27	Dev. Started	9/1/2007	89
Westlake Village	Sacramento	Residential	15	21	Dev. Started	12/1/2007	168
Westbourne	Orange	Residential	7	5	Dev. Started	8/1/2007	13
Windemere Village	Contra Costa	Residential	29	35	Dev. Started	5/1/2007	69
Total MWHP			\$490	\$597			3,938
Commercial & Other							
Valecia Commerce Center	Los Angeles	Commercial	\$1		Dev. Started	3/1/2014	212 Acres
Non-Community-VCC CI	Los Angeles	Commercial	35		Completed	Completed	19 Acres
Valecia Water	Los Angeles	Industrial			Operating Asset	N/A	N/A
Agriculture & Energy	Los Angeles	Industrial	160		Operating Asset	N/A	N/A
TPC Golf Course	Los Angeles	Recreational	8		Operating Asset	N/A	N/A
Total Commercial & Other			\$203				
Total LandSource			\$2,638	\$1,015			

^(a) Southwest includes Summit Ridge, Shadow Run, Fiesta Park, Glengarry, Centennial Park I,II, III, Clermont, White Horse, Desert Canyon.

^(b) Southwest Contract Asset Value represents an "As Finished Contract Value" (inclusive of \$7.5 million of cost to complete). However, the Appraised Asset Value for this asset is an "as is" value.

^(c) MWHP properties consist of 43 communities. Communities above are consolidated.

^(d) MWHP Contract Asset value of \$597 million represents an "As Finished Contract Value" (inclusive of \$704.7 million of cost to complete). The Finished Contract Value is exclusive of \$79.7 million of credits owed Lennar from takedowns prior to February 7, 2007.

LandSource Communities

Business strategy

Aggressive asset pare down and repayment of debt

LandSource's operating strategy will continue to be governed by a clearly defined development process, strong cash flow generation and a material reduction of debt. This strategy will allow LandSource to further minimize downside risk and to maintain a strong balance sheet.

Maintain status as a premier developer of land and master planned communities

LandSource through its partners, Lennar and LNR, and its predecessor joint ventures/partnerships, have a long track record of successfully developing large parcels of land and mixed-use master-planned communities. The Company provides a full range of land development expertise that allows it to:

- Develop large parcels of land within geographically and politically diverse regions and meet regulatory requirements through permitting, zoning and environmental compliance
- Time the development of large parcels of land based on current market absorption
- Benefit from economies of scale in land development and

Disciplined asset management strategy

LandSource will continue to maintain a strong discipline in asset management. The infrastructure build-out is managed in phases, each of which is started to match market absorption, thereby reducing downside risk. Due to many of the Company's assets being in land constrained markets, it can support homebuilders need for a ready supply of homesites to meet their future business objectives. This need, coupled with the Company's history of selling a significant portion of their homesites to third party homebuilders and Lennar's contractual obligations to purchase homesites, will support strong absorption.

Conservative acquisition strategy

From time to time, LandSource may identify scarce, entitled new land in regions with strong fundamentals that are attractive to Lennar, LNR and other third party residential and commercial builders. LandSource may capitalize on attractive future land opportunities in fast growing markets and supply homesites to national commercial and residential builders. Based on its extensive experience, LandSource will continue to apply conservative underwriting and vigorous due diligence on all acquisitions. Furthermore, unanimous approval will be required by LandSource's Executive Committee for all major transaction decisions.

Management overview

The LandSource management team consists primarily of Newhall management that was in place at the time of the acquisitions of Newhall in 2004. The team has successfully been managing the majority of the LandSource assets since that time. With more than 25 years of experience in land development, including an average of 15 years at Newhall, this team brings development expertise that cannot easily be replicated.

LandSource Communities

Management of LandSource

Name	Years Experience	Years at Newhall	Entity	Position
Greg McWilliams	21	10	Newhall	President
Marlee Lauffer	18	18	Newhall	SVP Marketing and Communications
Steve Zimmer	28	8	Newhall	Executive Vice President
Don Kimball	20	20	Newhall	SVP and CFO
Bruce Crable	35	13	Newhall	SVP Operations
Mark Subbotin	30	20	Newhall	VP Planning and Environmental Resources

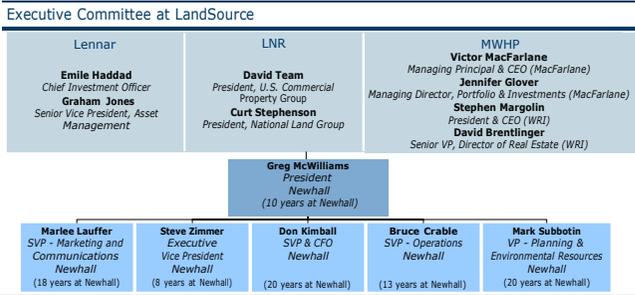
Governance overview

Lennar and LNR have a long history and successful track record of investing together through joint ventures for clear beneficial business purposes. They will benefit from the new members' commercial, residential and urban development deal valuation and due diligence expertise as well as their financial backing to support future assets. Lennar and LNR will act as the Managing Member of LandSource, making day-to-day business decisions. Lennar and LNR, together, will have equal decision-making authority with MWHP on the Executive Committee. Unanimous approval by the Executive Committee will be required for all major transaction decisions. Independent board members from Lennar, LNR and MWHP will comprise a committee that will approve all transactions and adhere to the conservative operating principles of these three entities, which include strategically acquiring land while mitigating risks, effectively matching financing to asset life and maintaining conservative leverage.

Executive Committee at LandSource

Name	Entity	Position
Emile Haddad	Lennar	Chief Investment Officer
Graham Jones	Lennar	SVP Asset Management
David Team	LNR	President, U.S. Commercial Property Group
Curt Stephenson	LNR	President, National Land Group
Victor MacFarlane	MWHP	Managing Principal and CEO, MacFarlane
Jennifer Glover	MWHP	MD, Portfolio and Investments, MacFarlane
Stephen Margolin	MWHP	President and CEO, WRI
David Brentlinger	MWHP	Senior VP, Director of Real Estate, WRI

V. Executive Committee and Management Biographies



Executive committee biographies

Victor MacFarlane (MacFarlane) - Managing principal, Victor B. MacFarlane founded MacFarlane Partners in 1987 to provide real estate investment management services to institutional investors. Under his leadership, MacFarlane Partners has become the one of the leading real estate investment management firms in the United States. Victor has 27 years of real estate experience, and has worked extensively in property development, acquisitions, asset management and portfolio management on behalf of some of the largest pension plans and institutions in the U.S.

Jennifer Glover (MacFarlane) - As a managing director in MacFarlane Partners' housing group, Jennifer Glover is responsible for directing and implementing the firm's single-family housing investment programs. Jennifer, who has 16 years of real estate experience, previously served as Vice President, Risk Management in MacFarlane Partners' urban real estate group where she was responsible for managing the risk/return strategy of the firm's urban portfolio. Jennifer was previously a Senior Portfolio Manager at American Realty Advisors, where she managed four separate accounts with an aggregate allocation over \$600 million on behalf of government and Taft-Hartley pension plans.

Stephen Margolin (WRI) - President and CEO of Weyerhaeuser Realty Investors since 2001 and Weyerhaeuser Company employee for 26 years. Mr. Margolin has worked for WRI in various positions including Chief Financial Officer and Executive Vice President and in his current position is responsible for overall direction and investment development for WRI. At Weyerhaeuser, he is a member of the Investment Committee of the Weyerhaeuser Pension Fund. Mr. Margolin also serves on the Board of Directors for the American Red Cross serving King and Kitsap Counties and the board of Homestead Capital.

David Brentlinger (WRI) - Senior Vice President and Director of Real Estate. Mr. Brentlinger has 18 years of experience working with WRI and Weyerhaeuser Real Estate Company. He is responsible for WRI's structured options program and asset management and is a member of its Investment Committee. Previously he managed Northwest Landing, an award-winning 3000 acre mixed use master-planned community in DuPont, Washington, and was responsible for finance and

LandSource Communities

marketing of Snoqualmie Ridge, a 2000 acre mixed use master-planned community in Snoqualmie, Washington.

Emile Haddad (Lennar)-President of Lennar Communities Western Region since joining Lennar in 1997. Mr. Haddad has over 21 years of experience both in the U.S. and overseas. Mr. Haddad was previously the Senior Vice President of Land Development at Bramalea California and Marlborough Development Corporation, a subsidiary of Bramalea. Mr. Haddad holds a degree in civil engineering and is a registered civil engineer in California. Mr. Haddad holds a general building contracting license, a general engineering contracting license, and is a member of the Urban Land Institute.

Graham Jones (Lennar) - Senior Vice President, Asset Management, Graham oversees operational and financial reporting compliance with joint venture partners, financial institutions, and public agencies. The scope of Graham's role has been expanded to include communities on a national scale. Graham started with Lennar Communities in April, 2001, after spending five years with PLC, an affiliate of Lennar, where he was responsible for structuring, negotiating, and closing sales of homesites to guest builders in the master-planned communities

David Team (LNR) - Mr. Team is the President of The Commercial Property Group (CPG) of LNR. Headquartered in Newport Beach, California, CPG manages all of LNR's domestic investments in commercial property encompassing real property, military base reuse, and master planned communities. Since LNR's spin-off from Lennar in 1997, Mr. Team has led CPG to invest in, develop or manage over 33million square feet of properties and 100,000 acres of land. CPG's activities consist of investment, development and management of office, retail, industrial, multi- family, land, hospitality and mixed-use properties. The Base Reuse Division focuses on master planning and redeveloping closed military bases. Through various joint ventures, CPG plans and develops mixed-use, master planned communities. Mr. Team has over 23 years of experience in the real estate industry and graduated from the University of North Carolina and serves in a leading role in a variety of real estate and community organizations, including the Urban Land Institute, NAOIP, BIA, Orange County Council of the Boy Scouts, and the children's charity, CASA.

Curt Stephenson (LNR) - Curt Stephenson currently manages all domestic landdevelopment activity for the CPG of LNR. Curt has 26 years of experience in the development industry and has been working for LNR for over eight years. Management includes the 240-acre San Diego Spectrum in Kearny Mesa, the 1200 acre Meridian (former March AFB) in Riverside, the 200 acre Empire Center in Fontana, and the ventures with Lennar that include Newhall Land and Farming, Mare Island, Hunter's Point Shipyard and the Heritage Fields (El Toro Air Base). His past accomplishments include direct responsibility for the management and development of the EastLake community in south San Diego County. This 3200 acre Master Planned Community contains 9000 housing units, 175 acres of retail and 250 acres of business park. Curt is a member of ICSC, NAIOP, and a licensed California Real Estate Broker.

VI. Sponsor Overview

Lennar overview

Lennar (NYSE: LEN and LEN.B) is one of the nation's largest homebuilders and a provider of financial services. Lennar's Homebuilding operations include the sale and construction of single-family attached and detached homes, as well as the purchase, development and sale of residential land directly and through unconsolidated entities in which Lennar has investments. Lennar's Financial Services operations provide primarily mortgage financing, title insurance and closing services for both buyers of Lennar's homes and others. Lennar sells substantially all of the loans that the Company originates in the secondary mortgage market.

Homebuilding

Founded in 1954 and headquartered in Miami, Florida, Lennar is one of the nation's largest homebuilders, building homes in some of the best markets in the nation. Lennar builds affordable, move-up and retirement homes in planned communities such as urban, golf course, active adult or suburban.

Lennar sells homes primarily under the Lennar name. Through its own efforts and its partnership interests, Lennar is involved in all phases of planning and building in its residential communities, including land acquisition, site planning, preparation and improvement of land, and design, construction and marketing of homes. Like other public homebuilders, Lennar subcontracts virtually all segments of development and construction to others. The Company generally has an inventory of homes under construction.

Lennar's Homebuilding operations sell and construct homes primarily for first-time, move-up, and active adult homebuyers. The Company's land operations include the purchase, development and sale of land for its homebuilding activities, as well as the sale of land to third parties. In certain circumstances, Lennar minimizes its risk by forming joint ventures with other entities. The average sales price of a Lennar home was \$315,000 in the year ended November 30, 2006, up from \$311,000 in the year ended November 30, 2005.

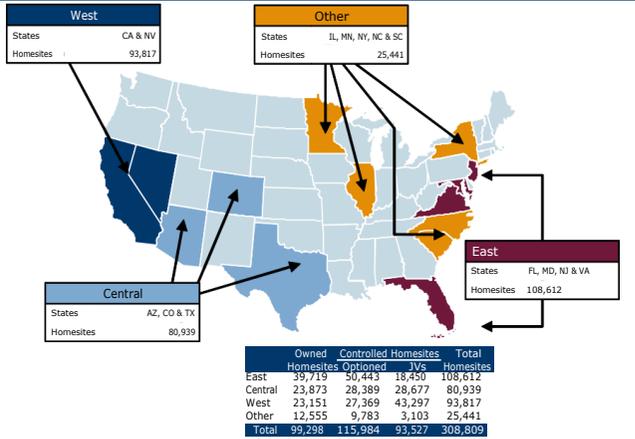
Markets

Lennar's market regions consist of the following: East (Florida, Maryland, New Jersey and Virginia), Central (Arizona, Colorado and Texas), West (California and Nevada) and Other (Illinois, Minnesota, New York, North Carolina and South Carolina).

LandSource Communities

The following chart highlights Lennar's geographic diversity.

Geographic Diversity (as of 8/31/06)



Source: Company filings

Lennar Corp - Historical Annual Performance Summary

(\$ in millions, except per share data)	2002	2003	2004	2005	2006
Operating Summary:					
Revenues	\$7,233	\$8,905	\$10,501	\$13,867	\$16,267
Revenue Growth	27.0%	23.7%	77.9%	32.7%	77.3%
Net Earnings	\$545	\$751	\$946	\$1,355	\$594
Diluted EPS	\$3.51	\$4.65	\$5.70	\$8.23	\$3.69
Balance Sheet Summary:					
Total Assets	\$5,756	\$6,775	\$9,165	\$12,541	N/A
Homebuilding Debt	\$1,585	\$1,552	\$2,021	\$2,593	\$2,614
HB Book Capitalization ⁽¹⁾	\$3,814	\$4,816	\$6,074	\$7,844	\$8,315
HB Debt / Book Cap	41.6%	32.2%	33.3%	33.1%	31.4%
Home Data⁽²⁾:					
Homes Delivered	27,393	32,180	36,204	42,359	49,568
Net New Orders	28,373	33,523	37,667	43,405	42,212
Backlog of Homes	12,108	13,905	15,546	18,565	11,608
\$ Value of Backlog	\$3,200	\$3,887	\$5,055	\$6,884	\$3,980

⁽¹⁾ Homebuilding debt plus stockholders' equity.

⁽²⁾ Includes unconsolidated entities.

Source: Company filings and press release.

LNR overview

LNR Property Holdings, Ltd., headquartered in Miami Beach, Florida, is a real estate investment, finance, management and development company, with assets of approximately \$3.6 billion as of November 30, 2006. LNR manages real estate properties, loans and securities for its own account and for others exceeding \$5

LandSource Communities

billion and is responsible for the special servicing of over \$200 billion of real estate loans which collateralize commercial mortgage backed securities in the United States and Europe.

LNR has been engaged in the development, ownership and management of commercial properties and land since 1969. Until 1997, LNR operated as a division of Lennar. In 1997, LNR was spun off from Lennar to become a separate public company. In February 2005, LNR was taken private by affiliates of Cerberus Capital Management, L.P. Minority interests are held by entities controlled by Stuart Miller (the former Chairman of the Board of LNR), and LNR's senior management.

LNR has over 600 associates located in 16 offices located throughout the U.S. and four offices located in Europe. LNR has three principal operating divisions: the Commercial Property Group ("CPG"), based in Newport Beach, California, the Real Estate Finance and Servicing Group ("REFSG"), based in Miami Beach, Florida, and the European Division, based in London.

CPG is focused on creating value by acquiring, developing, repositioning, managing and selling commercial and multi-family real estate, including land. During the last 15 years, CPG has been responsible for the successful development, redevelopment and repositioning of over 1,000 properties in 33 states. In 2005, CPG formed the LNR Commercial Property Investment Fund, a venture consisting of LNR and several other investors, which is managed by LNR and through which LNR conducts most of its commercial real estate property investing and development.

REFSG focuses on the real estate loan and securities businesses and is one of the nation's leading buyers of non-investment grade and unrated commercial mortgage backed securities ("CMBS"). LNR is the leader in the special servicing and loan workout market, with special servicing rights on 160 CMBS pools with an original face value in excess of \$200 billion (as of November 2006).

LNR's European Division focuses on and primarily invests in the same types of assets as LNR invests in domestically. In 2005, Europe formed LNR Europe Investors S.A.R.L. SICAR, a venture consisting of LNR and several other investors, which is managed by LNR and through which LNR conducts the majority of its European investing.

CalPERS/MacFarlane/WRI overview

MWHP is an investment venture involving CalPERS, MacFarlane, and WRI. CalPERS is the nation's largest public pension fund with assets totaling \$223.5 billion as of October 31, 2006. CalPERS provides retirement and health benefits to 1.5 million public employees, retirees, and their families and more than 2,500 employers. CalPERS' investment portfolio is diversified into several asset classes, including real estate. As of October 31, it had invested almost \$17 billion (7.5% of total investments) in real estate holdings in California and across the nation. CalPERS has a target asset allocation of 8% to real estate. In 1992, CalPERS became the first major U.S. pension plan to include investments in single family residential development projects as a key component of its real estate strategy.

MacFarlane is a wholly owned indirect subsidiary of MacFarlane Partners. MacFarlane Partners is one of the leading real estate management firms in the

LandSource Communities

United States and currently manages \$12 billion in real estate assets on behalf of institutional investor clients. MacFarlane Partners specializes in real estate development, redevelopment and repositioning projects located in urban and high-density suburban areas and single-family residential land development projects in metropolitan areas nationwide. Its experience encompasses the full range of investment categories including residential, retail, office and mixed-use assets. MacFarlane Partners is headquartered in San Francisco, with regional offices in Los Angeles, Washington, DC, and the greater New York metropolitan area.

WRI has been making equity investments in residential real estate projects since its formation in 1970. WRI is a wholly owned subsidiary of Weyerhaeuser Real Estate Company (WRECO), itself a wholly owned subsidiary of Weyerhaeuser Company. Originally established to diversify Weyerhaeuser Company's investment in wholly owned development companies, WRI has expanded its business to include not only equity investments but also subordinated fixed rate and participating loans to public and private homebuilders nationwide. WRI sources new transactions through a network of 9 regional offices.

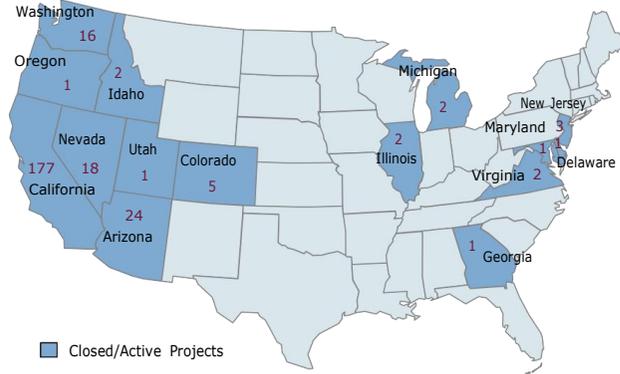
MWHP and its predecessor partnerships began investing in single-family housing assets in 1995. MWHP is an investment vehicle focused primarily on single-family construction and development projects in the United States. MWHP invests equity and equity-equivalents with medium and large size residential developers. In addition MWHP makes investments that target land acquisition by some of the nation's largest homebuilders for development into finished and semi-finished residential homesites. MWHP's objective is to build a diversified portfolio of investments that generate attractive risk-adjusted returns. To that end, the investment focus is on mid to large size projects that have minimal or no unresolved entitlement issues and relatively short investment life cycles.

Since 1995, MWHP and its predecessor partnerships have financed the development of 83,000 single-family homes and residential lots with an estimated aggregate revenue of more than \$12 billion. MWHP and its predecessor partnerships have closed more than 250 investments in 15 states with nearly 100 different home builders.

LandSource Communities

The following chart highlights the investment history of MWHP.

MWHP single-family housing investment history (as of September 30, 2006)



Summary MWHP Investment Statistics

- \$2.4 billion in capital invested
- 83,000 single-family homes and homesites
- 256 development projects with 97 builders
- \$12 billion in estimated aggregate sales volume

VII. Company Historical Financial Overview

Historical Financials ⁽¹⁾				
(\$'s in millions)	Fiscal Year Ended November 30,			
	2003	2004	2005	2006E ⁽²⁾
Revenues				
Land sales:				
Land sales to related parties	\$139.0	\$92.8	\$57.4	\$190.6
Land sales to third parties	61.1	178.1	143.2	78.8
Total land sales	\$200.1	\$270.9	\$200.6	\$269.4
Sales of homes	53.1	25.0	42.0	26.7
Total revenues	\$253.2	\$296.0	\$242.6	\$296.1
Costs and expenses				
Cost of land sales:				
Land sales to related parties	\$63.0	\$50.9	\$40.7	\$148.4
Land sales to third parties	35.3	117.4	72.7	33.0
Total cost of land sales	\$98.4	\$168.3	\$113.5	\$181.4
Cost of homes sold	47.8	22.8	35.2	23.5
Selling, general and administrative	21.6	51.5	52.8	42.4
Management fees paid to related parties	6.9	7.3	5.2	7.5
Total costs and expenses	\$174.7	\$249.8	\$206.7	\$254.8
Equity in earnings from unconsolidated entities	\$24.2	\$16.2	\$9.4	\$5.0
Other income, net	22.4	10.9	23.2	4.7
Earnings from continuing operations	\$125.1	\$73.3	\$68.5	\$51.0
Earnings from discontinued operations	-	1.4	2.0	40.7
Net earnings	\$125.1	\$74.6	\$70.6	\$91.7

⁽¹⁾ LandSource only, does not include MWHF.

⁽²⁾ Unaudited and excludes \$50.5 million impairment charges on Southwest Communities.

Management discussion & analysis

Twelve months ended November 30, 2006 versus twelve months ended November 30, 2005

Revenues from land sales increased 34% in the twelve months ended November 30, 2006 to \$269.4 million from \$200.6 million in 2005. Revenues were higher primarily due to a 311% increase in the number of closings combined with acreage sales. The number of homesite closings increased to 3,097 in the twelve months ended November 30, 2006 from 753 in 2005 due to the bulk sale of 1,717 homesites in Sun City/Sunshine Village and 532 homesites in Valencia from Newhall Land in 2006. Gross margins on homesites closings and acreage sales were \$88 million or 32.6% in the twelve months ended November 30, 2006, compared to \$87.1 million or 43.4% in 2005. Included in the Revenues from land sales is profit participation from land sales to home builders. For the year ended November 30, 2006, profit participation from Valencia land sales was \$21 million lower than the same period in 2005, thus increasing revenues and gross margin in 2005 but not homesite closings. In addition for the year ended November 30, 2006, the Company sold 1,717 homesites at Sun City/Sunshine Village. The Company recognized all of the costs but deferred half of the revenue totaling \$21 million as the Company holds a note receivable from the buyer for \$21 million to be paid in November 2007.

LandSource Communities

During the twelve months ended November 30, 2006, interest expense in cost of sales was \$6.2 million, compared to \$3.2 million in the same period last year. The increase in interest expense was primarily due to an increase in the number of homesite closings. During the twelve months ended November 30, 2006, interest incurred was \$43 million compared to \$30.0 million in the same period last year.

Gross profit on homes sold totaled \$3.2 million in the twelve months ended November 30, 2006, compared to \$6.8 million in 2005. The number of home closings decreased to 9 in the twelve months ended November 30, 2006 from 14 in 2005. Equity in earnings from unconsolidated entities was \$5.0 million in the twelve months ended November 30, 2006 compared to \$9.4 million last year.

Selling, general, and administrative expenses as a percentage of total revenues was 14.3% and 21.8% respectively, for the twelve months ended November 30, 2006 and 2005. Management fees and other income, net totaled \$2.8 million of expense for the twelve months ended November 30, 2006, compared to \$18.0 million of income in 2005. Other income for the year ended November 30, 2005, included \$12 million of gain from the sale of three community clubhouses in Florida.

Appendix

LandSource Property Summary - Southern California (Newhall Ranch)



Newhall Ranch	
Total Appraised Value	\$1,204MM
Borrowing Base Advance Value	\$602MM

Summary of Land Developments

Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Projected		Homesites
					Land Dev. Start Date	Land Dev. End Date	
Potrero	Los Angeles	Residential	\$399	-	1/1/2011	9/1/2017	8,110
Homestead	Los Angeles	Residential	324	-	12/1/2010	3/1/2017	4,490
Mission Village	Los Angeles	Residential	375	-	1/1/2010	6/1/2013	5,148
Landmark	Los Angeles	Residential	105	-	1/1/2009	1/1/2009	1,444
Newhall	Los Angeles	Residential	\$1,204	-			19,192

LandSource Property Summary - Southern California (Valencia)



Valencia	
Total Appraised Value	\$298MM
Borrowing Base Advance Value	\$208MM

Summary of Land Developments

Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Projected		Homesites
					Land Dev. Start Date	Land Dev. End Date	
Entrada	Los Angeles	Residential	\$84	-	1/1/2007	12/1/2015	2,786
River Village	Los Angeles	Residential	80	\$116	Dev. Started	12/1/2009	509
West Hills	Los Angeles	Residential	66	153	Dev. Started	9/1/2009	475
Soledad Village	Los Angeles	Residential	51	-	1/1/2007	1/1/2008	407
Camino Viejo	Los Angeles	Residential	4	-	Dev. Started	12/1/2007	35
Castaic Mesa	Los Angeles	Residential	13	-	Dev. Started	N/A	75
Valencia	Los Angeles	Residential	\$298	\$268	Dev. Started	10/1/2016	4,287

LandSource Property Summary - Southern California (Other Properties)



Total Appraised Value	\$194MM
Borrowing Base Advance Value	\$133MM

Summary of Land Developments

Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Projected		Homesites
					Land Dev. Start Date	Land Dev. End Date	
Savannah (Alexandria)	Orange	Residential	\$11	\$12	Dev. Started	6/7/2007	57
Camden Place	Orange	Residential	11	10	Dev. Started	6/1/2007	71
Westbourne	Orange	Residential	7	5	Dev. Started	8/1/2007	13
Cantara	Orange	Residential	8	6	Dev. Started	3/1/2007	17
The Gables and Meriwether	Orange	Residential	32	27	Dev. Started	9/1/2007	89
Coachella	Riverside	Residential	18	18	Dev. Started	1/1/2008	240
Harveston	Riverside	Residential	42	50	Dev. Started	1/1/2008	255
Indian Palms	Riverside	Residential	6	4	Dev. Started	NA	68
Jefferson	Riverside	Residential	13	10	Dev. Started	1/1/2007	64
Palm Springs Classic	Riverside	Residential	41	55	Dev. Started	12/1/2007	191
McSweeney	Riverside	Residential	6	6	Dev. Started	12/1/2007	61

LandSource Property Summary - Southern, Central California, and Commercial (Other Properties)

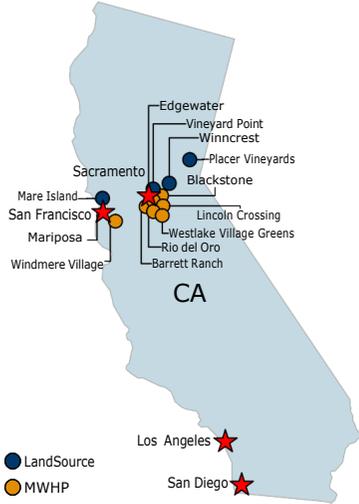


Total Appraised Value	\$382MM
Borrowing Base Advance Value	\$122MM

Summary of Land Developments

Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Projected		Homesites
					Land Dev. Start Date	Land Dev. End Date	
Stevenson Ranch	Los Angeles	Residential	\$126	-	1/1/2011	11/1/2014	2,500
Washington Square	Los Angeles	Residential	39	-	Dev. Started	12/1/2008	122
Palm Ranch	Tulare	Residential	14	\$29	Dev. Started	8/1/2007	265
Commercial & Other							
Valencia Commerce Center	Los Angeles	Commercial	\$1	-	Dev. Started	3/1/2014	212 Acres
Non-Community-VCC CI	Los Angeles	Commercial	35	-	Already Completed	Already Completed	19 Acres
Agriculture & Energy	Los Angeles	Industrial	160	-	Operating Asset	N/A	N/A
TPC Golf Course	Los Angeles	Recreational	8	-	Operating Asset	N/A	N/A

LandSource Property Summary - Northern California



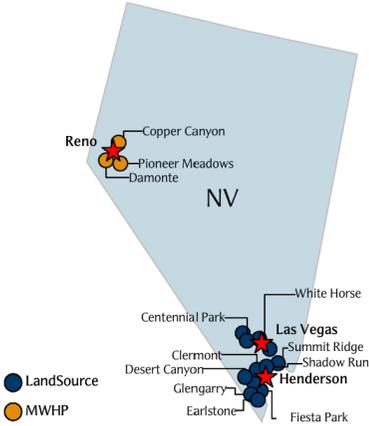
Total Appraised Value	\$278MM
Borrowing Base Advance Value	\$205MM

Summary of Land Developments

Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Projected		
					Land Dev. Start Date	Land Dev. End Date	Homesites
Barrett Ranch	Sacramento	Residential	\$1	\$1	Dev. Started	1/1/2007	7
Westlake Village	Sacramento	Residential	15	21	Dev. Started	12/1/2007	168
Mariposa	Contra Costa	Residential	13	14	Dev. Started	NA	66
Windemere Village	Contra Costa	Residential	29	35	Dev. Started	5/1/2007	69
Lincoln Crossing	Placer	Residential	14	12	Dev. Started	1/7/2007	94
Rio Del Oro	Yuba	Residential	7	5	Dev. Started	1/7/2007	55
Edgewater	Yuba	Residential	2	1	Dev. Started	1/1/2007	20
Mare Island	Oakland	Residential	75	-	Dev. Started	9/1/2010	1,122
Blackstone	El Dorado Hills	Residential	122	164	Dev. Started	12/1/2007	827

LandSource Communities

LandSource Property Summary - Nevada



Total Appraised Value	\$184MM
Borrowing Base Advance Value	\$155MM

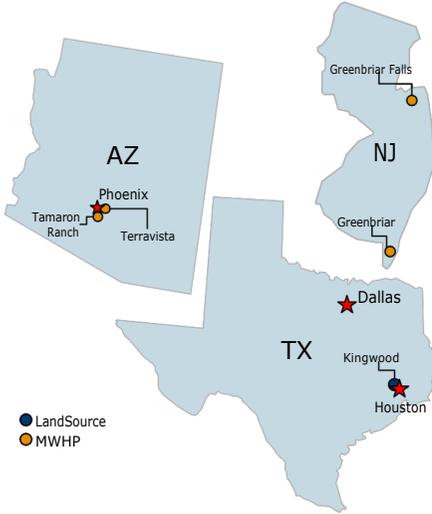
Summary of Land Developments

(\$'s in millions)

Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Projected		Homesites
					Land Dev. Start Date	Land Dev. End Date	
Copper Canyon	Lyon	Residential	\$10	\$17	Dev. Started	11/1/2007	200
Pioneer Meadows	Washoe	Residential	5	3	Dev. Started	1/7/2007	40
Damonte Village	Washoe	Residential	31	47	Dev. Started	6/1/2008	575
Southwest Homes	Las Vegas	Residential	139	150	Dev. Started	4/1/2007	1,098

Confidential Information Memorandum

LandSource Property Summary - Other Properties



Total Appraised Value	\$42MM
Borrowing Base Advance Value	\$30MM

Summary of Land Developments

Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Projected		Homesites
					Land Dev. Start Date	Land Dev. End Date	
Tamaron Ranch	Pinal	Residential	\$1	\$1	Dev. Started	4/1/2007	55
Terra Vista	Maricopa	Residential	3	3	Dev. Started	10/1/2007	88
Greenbriar	Cape May	Residential	15	19	Dev. Started	5/1/2009	164
Greenbriar Falls	Monmouth	Residential	16	22	Dev. Started	5/1/2009	119
Kingwood	Houston	Residential	6	-	Dev. Started	11/1/2009	186

LandSource Communities

LandSource Property Summary - Other Properties (cont.)



Total Appraised Value	\$55MM
Borrowing Base Advance Value	\$33MM

Summary of Land Developments

Asset	Location	Development Use	Appraised Asset Value	Contract Asset Value	Projected		Homesites
					Land Dev. Start Date	Land Dev. End Date	
Lakes by the Bay	Miami	Residential	\$27	\$ -	Dev. Started	2/1/2008	390
Sun City	Tampa	Residential	28	-	Dev. Started	11/1/2011	1,104