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David Kusumoto
(858) 947-2709

NEWS FROM HEARTHSTONE

HEARTHSTONE COMMITS \$33.2 MILLION TO HELP TWO BUILDERS PROVIDE HOMES IN NORTH-CENTRAL CA

NORTH CENTRAL VALLEY and SAN FRANCISCO, CA – (June 28, 2004) – **Hearthstone**, the nation's largest institutional investor in residential development, has committed \$33.2 million in a joint venture with two builders to develop more than 300 homes in northern and central California.

According to Anthony Botte, Hearthstone senior vice president for the western U.S. region – the investment firm has pledged \$16.2 million to Dallas- and Scottsdale-based **Meritage Corporation and Meritage Homes of California** – to build single-family homes on 116 lots that are a part of a 726-acre site in the Village III Subdivision, situated on the northeast corner of Bixler Road and Fullman Canal within the gated master-planned community of **Discovery Bay** in Brentwood (Contra Costa County), approximately 54 miles east of San Francisco. Homes are expected to be priced from the \$400,000s, and range in size from 2,416 to 3,674 square feet.

Hearthstone has also committed \$7.6 million to **Meritage** in a third-phase lot option deal involving construction of 105 single family homes upon an 41.62- acre site situated at North Ripon Road and River Road at Chesapeake III in Ripon, CA (San Joaquin County), approximately 50 miles northwest of Merced, CA. Homes are expected to be priced from \$336,000 to \$433,000, averaging 3,000 square feet. These are the ninth and tenth transactions between Hearthstone and Meritage to date.

Meanwhile, the investment firm has additionally committed \$8.9 million to Newport Beach-based **WL Homes**, also known as **John Laing Homes** – to build single-family homes on 87 lots upon a 330-acre site situated at the southeast corner of Baldwin Road and Cliff Swallow Drive within the master-planned community of **Walker Ranch** in Patterson (Stanislaus County), approximately 90 miles east of San Francisco. Homes are expected to be priced from the high \$200,000s, and range from 1,855 to 2,736 square feet.

“Home price affordability remains an issue on both sides of San Francisco Bay,” said Botte. “With new Bay Area homes priced as high as \$600,000, north-central California will grow in importance as a more attractive and affordable alternative for homebuyers, builders and our institutional investors.”

San Francisco-based Hearthstone, with offices in Los Angeles, San Diego and Chicago, was the first, and today is the largest institutional investor in residential development in the United States, with nearly \$8 billion committed to the industry. Founded in 1992, Hearthstone has financed 356 communities to date in 80 markets in 19 states representing nearly 50,000 homes. It manages investment capital from public and private pension plans, university endowments, Fortune 100 companies and large private trusts.

In 2003, Hearthstone provided nearly \$800 million in financial commitments to the homebuilding industry, funding 30 residential developments associated with 13 builders in 10 states representing over 6,600 homes.

Posting 2003 revenues of \$1.5 billion, **Meritage Corporation** builds homes in Arizona (Monterey Homes, Hancock Communities and Meritage Homes), California (Meritage Homes and Citation Homes of Southern California), Nevada (Perma-Bilt Homes) and Texas (Legacy Homes, Hammonds Homes and Monterey Homes). In its eighteen-year history, Dallas- and Scottsdale, AZ-based Meritage has designed, built and sold nearly 29,000 entry- to semi-custom luxury level homes in four states.

Posting 2003 revenues of \$744 million, **WL Homes**, doing business as **John Laing Homes**, is a homebuilding and land development company building homes and communities for first-time to luxury homebuyers in California and Colorado. Based in Newport Beach, CA, **WL Homes** is one of the largest privately held homebuilders in the United States.

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