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NEWS FROM HEARTHSTONE

HEARTHSTONE COMMITMENT ADDRESSES NEED FOR AFFORDABLE HOUSING IN MISSION VALLEY

SAN DIEGO, CA (April 17, 2002) – Hearthstone, the largest institutional investor in for sale housing in the nation, has joined Irvine-based homebuilder Regis Homes, an affiliate of the Sares-Regis Group and locally-based investor/developer American Property Enterprises, committing \$50 million to fund the conversion of 300 apartment units to upscale condominiums in the Mission Valley area north of downtown San Diego, announced Anthony Botte, Hearthstone's senior vice president of the Western Region.

“River Colony represents an exciting alternative to single family detached homes,” said Botte. “These homes will address the egregious lack of quality homes for the first time buyer in the central corridor of San Diego.”

According to Botte, Hearthstone’s partnership with Regis Homes and American Property Enterprises breaks new ground for the largest funder of for-sale housing projects in the nation. Previously, Hearthstone, headquartered in San Francisco with offices in San Diego and across the country, has been involved primarily in funding single-family detached home developments.

“Hearthstone has the greatest confidence that this project will benefit many homebuyers who have been priced out of San Diego’s escalating housing market. Regis Homes is unmatched in the field, converting more than 7,000 apartments into high quality, affordable condominiums throughout the Western United States,” he said.

River Colony is located in one of San Diego's premier shopping, hotel, entertainment and dining areas on nearly nine and one-half acres on the northwest corner of Camino De La Reina and Qualcomm Way adjacent to the south bank of the San Diego River. With prices ranging from the low- to mid- \$200,000s, sales are expected to commence this spring. The development provides 261 two bedroom, two bath homes ranging from 977 to 1,025 square feet and 39 one bedroom, one bath homes ranging from 712 to 739 square feet.

During the conversion, several million dollars in improvements will be made to the property, first built in 1991 by Mission Colony Partners, an affiliate of Pacific Scene, Inc. Improvements will commence in phases, beginning with the first of six 3-story buildings, and include new GE appliances and tile counters in the kitchens, as well as new carpet, paint and window coverings. Other amenities included in these floor plans are washer/dryers, wood-burning fireplaces, central air conditioning, security alarms, and bay windows. Community grounds will feature a new recreation/fitness center as well as multiple fountains and courtyards with walking, jogging and biking trails connecting San Diego's River Walk.

In 2001, Hearthstone provided nearly three-quarters of a billion dollars in financial commitments to the homebuilding industry, funding 21 single-family home projects with 16 builders in seven states representing 3,024 homes.

Celebrating its 10th anniversary in 2002, Hearthstone is the nation's largest institutional investor of residential developments with nearly \$6 billion committed to the homebuilding industry, representing nearly half of the \$14 billion market associated with the funding of builders and developers in the United States. Hearthstone is presently funding more than 90 projects in 20 states throughout the nation. The firm represents a substantial and secure source of investment capital from public and private pension plans, university endowments, Fortune 100 companies and large private trusts.