

# Investment Opportunity



Contact: Mike Darland, CRG Partners 617-880-6144

# Background

- Regional homebuilder operating in Georgia, North Carolina and South Carolina
- 29<sup>th</sup> largest homebuilder in the U.S. in 2008, (13<sup>th</sup> largest private homebuilder)
- Closed more than 2,200 homes in each of 2005 and 2006
- Target buyer is first time and first move up
- Diversified and flexible product line with concentration on single family detached product
- Demonstrated management and leadership skills through growth cycles and downturns
- Strong reputation and relationships with trade and vendors, banks, developers and lot providers



# Current Situation

- Leadership was quick to recognize the symptoms of the housing market downturn and to react appropriately
- Currently operating successfully under existing credit facility, monetizing assets and downsizing operations
- Actively pursuing recapitalization alternatives to protect and sustain the building platform to be uniquely positioned to capitalize on the housing market rebound
- Value propositions are:
  - Successful and proven building platform with a positive reputation
  - Desirable geographic footprint
  - Leverage potential through access to restricted line of credit
  - Proven leadership and management

# Recapitalization Overview

- Stage 1 – Recapitalization
  - Raise new capital on a timely basis
  - Combine with existing restructured debt
  - Leveraged platform of 300-400 units in first year – Scalable to historical performance levels within 5-7 years
- Stage 2 – Restructure (overlaps with recapitalization)
  - Reset inventory levels
  - Reposition balance sheet
  - Secure trade relations
  - Review lot costs and positions, new and existing
- Stage 3 – Growth and Profits
  - First year “breakeven” expectation
  - 5-7 year business plan to capitalize on market rebound and advance the reputation of the company as one of the most successful private homebuilders in the U.S.
  - Demonstrated ability to provide superior returns for investors and to maximize enterprise value

# Investment Opportunity



For details, contact:  
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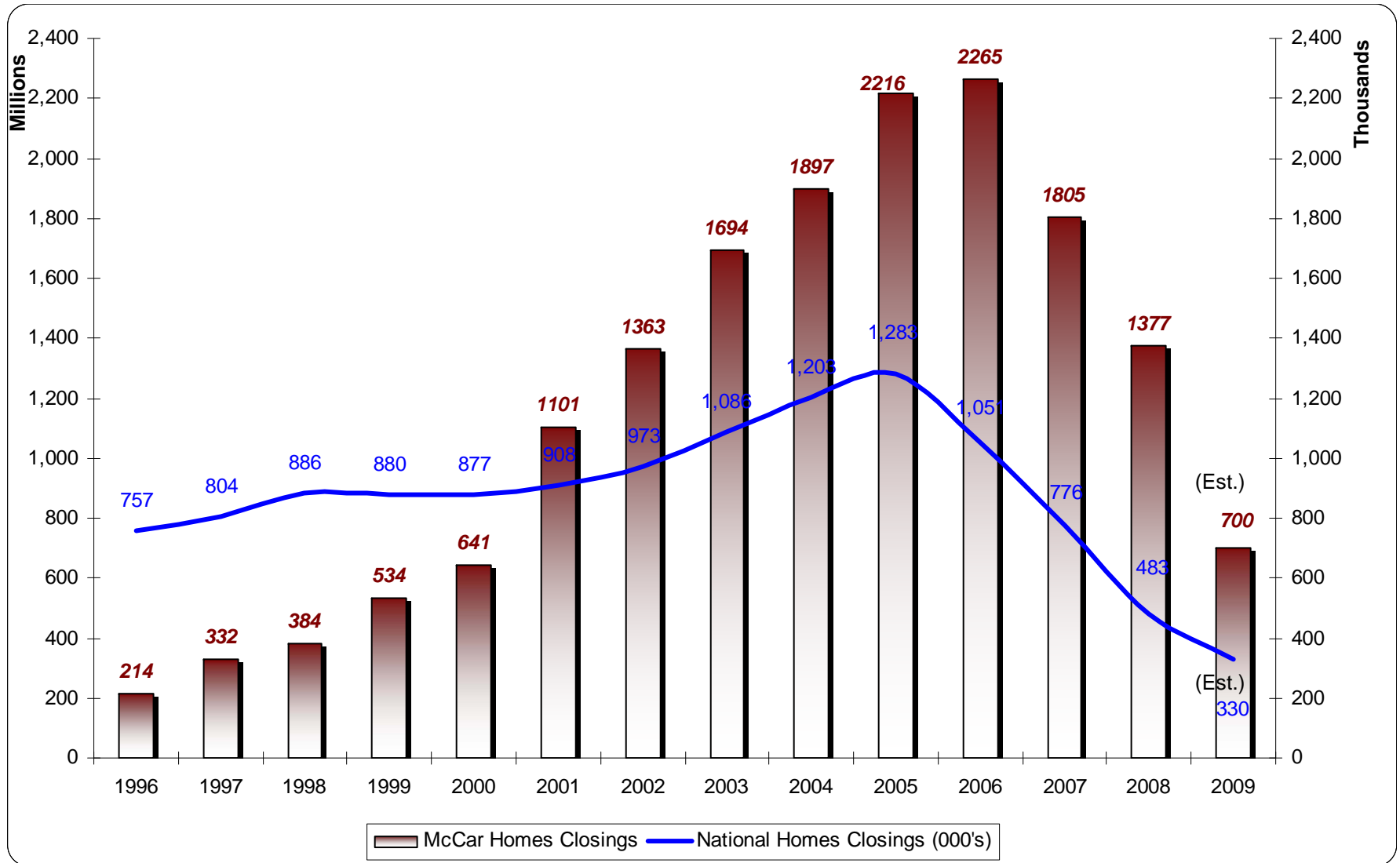


# Additional Information

- Historical Performance
- Financial and Capital
- Product
  - Design
  - Flexibility
- Operations
  - Value Management
  - Supply Chain
  - Construction Performance
  - Risk Management
- Sales and Marketing

# Historical Performance

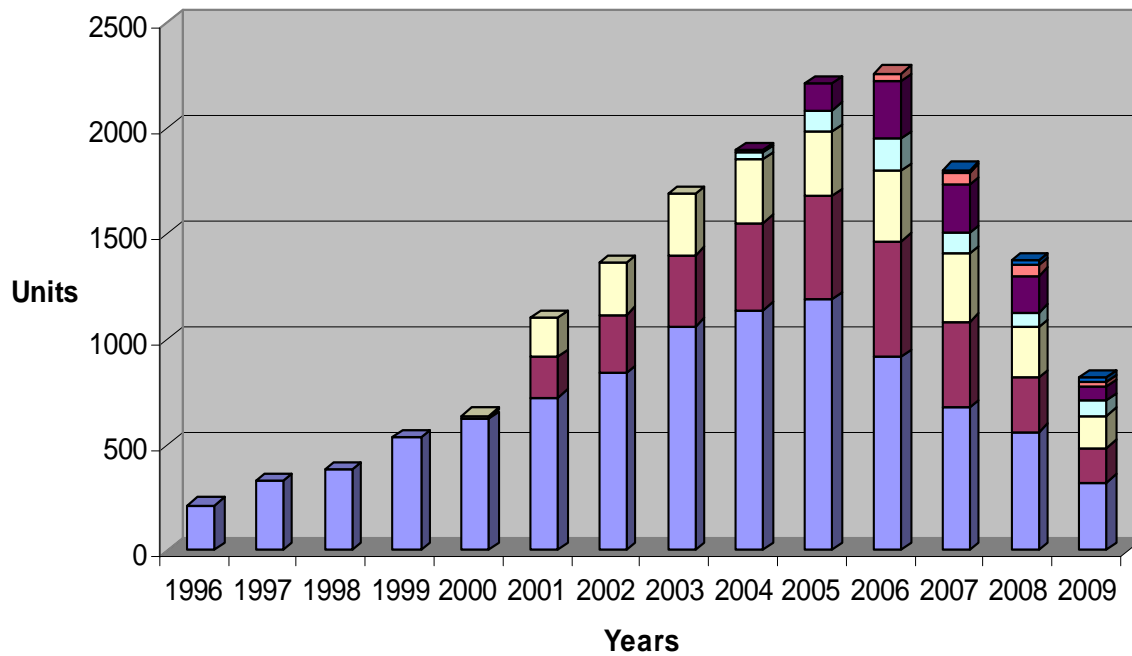
Grew 1036% from 1996 through 2005 (Compared to the nationwide growth of 169%)



# Historical Performance

Expanded into five new markets 2000-2005

Closings by Division



Atlanta Charlotte Greenville Greensboro Raleigh Tampa Columbia

	Revenues (in 000's)	Closings
1996	\$40,418	214
1997	\$66,629	332
1998	\$86,441	384
1999	\$111,794	534
2000	\$135,990	641
2001	\$222,905	1,101
2002	\$279,232	1,363
2003	\$346,188	1,694
2004	\$409,387	1,897
2005	\$520,677	2,216
2006	\$612,105	2,265
2007	\$511,574	1,805
2008	\$368,370	1,377
2009 (P)	\$180,000	700

# Financial and Capital

## ■ Capital

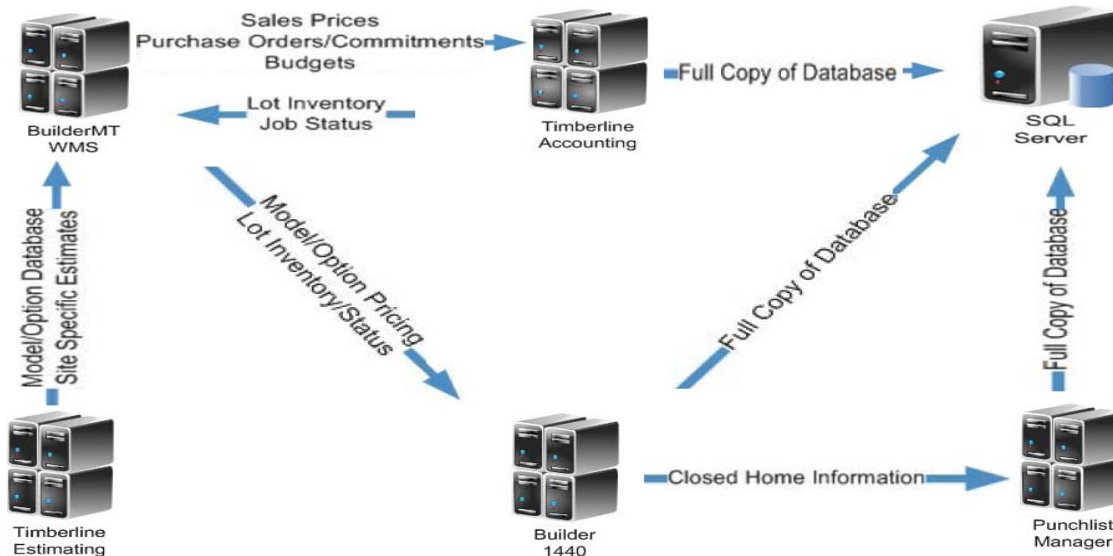
- Raised \$300 million Line of Credit
- Raised \$40 million Holding Co Term Loan
- Raised \$395 million in total capital, (Debt and Equity), through J-V structures

## ■ Reporting and Forecasting

- Accounting and Reporting for:
  - 6 Divisions
  - 36 Off Balance Sheet Structures
  - Over 50 Legal entities
- Detailed budgeting and forecasting models developed and maintained in house for all activities
- Cash flow and discounted cash flow modeling for feasibility analysis
  - IRRs
  - NPVs
  - Sensitivity analysis

# Information Technology

- McCar has a centralized data warehouse that allows independent programs to function cohesively
  - Ability to manage various operating software
  - Back-up of all operating systems
  - Multitude of reporting capabilities via Crystal Reports
  - Immediate information transfer to and from management and between departments
    - Accurate status of contracts and construction
    - Pricing and estimating transparency and timely corrections
    - Budgetary notifications and updates
    - Warranty monitoring and documentation
- Web Server gives everyone the ability to easily access information
  - Intranet
    - Availability of plans to superintendents, subcontractors and vendors
    - Daily and weekly communication of standard reporting
    - Access point for preferred lenders
  - McCarHomes.com
    - Availability and pricing of all construction and inventory
    - Financing and design options
    - Community contact information and directions
- Internal intranet based reporting allows access to real time data for field, division and corporate staff

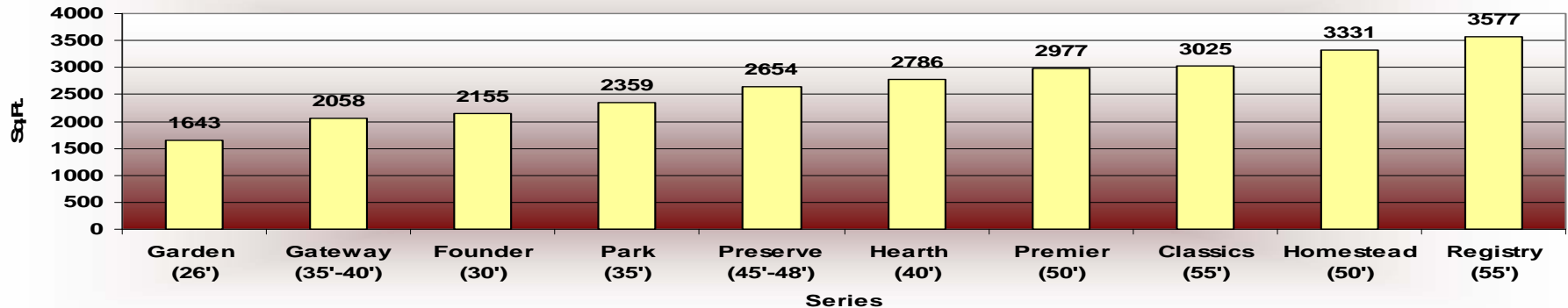


# Product - Design

## ■ Detached Single Family Plans

- Create a portfolio that provides flexibility for the Divisions to match customers needs at value engineered costs
  - 10 Series of detached single family plans
  - Average of 5 plans per series
  - Plan Width Range 26' - 55'
  - Plan Sq Ft Range 1611 – 3681
  - Plan library is internet based for ease of distribution

Single Family Series Average Sq.Ft.



Homestead Series



Preserve Series



Classics Series



Registry Series

# Product - Flexibility

- McCar's floor plan designs are given great breadth through multiple elevations, product orientation, and foundation options
- Flexibility of Product
  - Multiple square footages at specific widths
    - Ability to meet community specific needs for product
    - Foundation Types
      - Slab, Raised-Slab, Crawl and Basement
    - Elevations
      - Architectural Styles - Craftsman, Traditional and French Country
      - Material Choices - Brick, Stone, Siding and Shake
    - Structural Options
      - Garages - Side Entry, 3-Car Front Entry and 3-Car Side Entry
      - Flex Spaces - Bonus rooms, lofts and additional Bed/Bath configurations
      - Screen Porches
      - Finished Basements
- New Product/ Material
  - Coordinate product SKUs with Sales, Construction, Architecture and the Selection Centers
  - Wide variety of options to customize homes for all of our target consumer groups
  - Bundled options for kitchens and baths
    - Grouping options such as cabinets, countertops, tile, sinks, faucets, etc.
      - Simplify selection process
      - Increase margin of grouped options
  - Knowledge of latest technologies/ trends
  - Green Building
- Standard options and personalized option requests provide customers the opportunities to make selections geared towards their design preferences



# Operations – Value Management

## ■ Waste Reduction

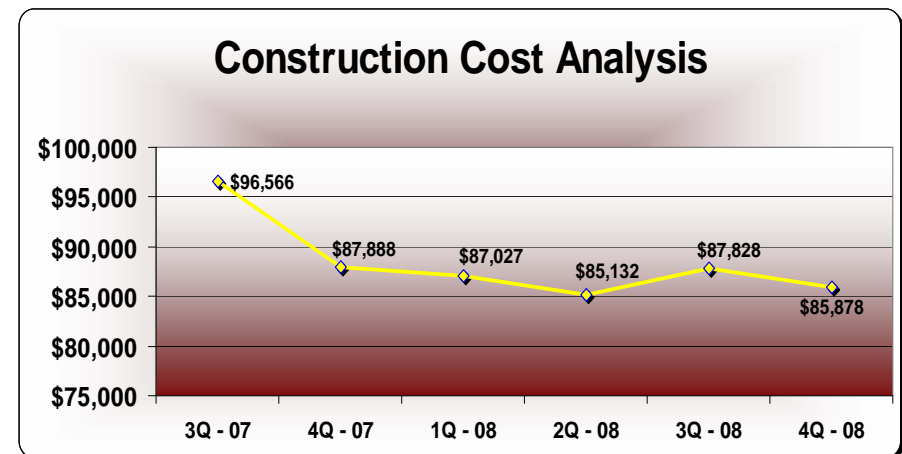
- Update estimating methodologies to the most efficient practices
- Eliminate cost overruns and construction leakage by identifying variance code trends
- Electronic generation of all invoicing

## ■ Competitive Advantage

- Consistent architecture, components and products used in every market that create volume buying and manufacturing partnership opportunities
- Centralized Purchasing Department model to ensure deliberate purchasing decisions

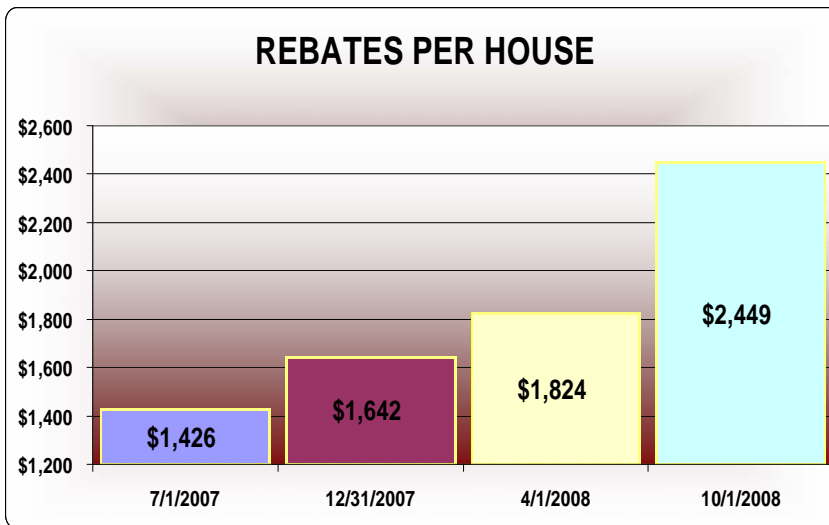
## ■ New Plan Pricing

- Itemized pricing breakdown that allows for fast and accurate plan pricing vs. traditional method of bid sets and submittals
- Cost Comparison Report will show the price per SQ FT of all the plans in the series



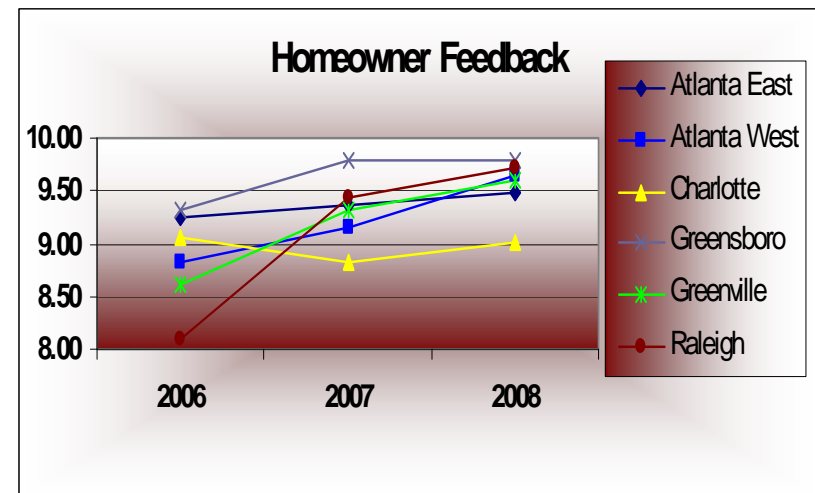
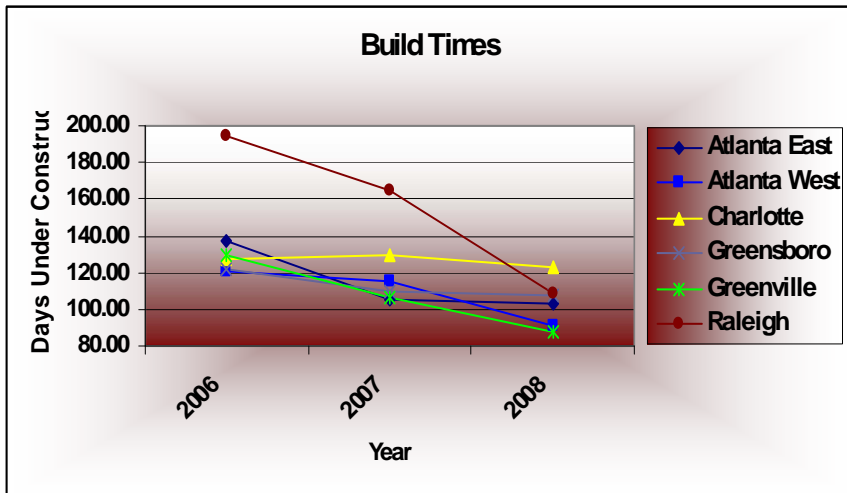
# Operations – Supply Chain

- An intense dedication to building relationships with quality vendors creates a stable supply chain
- Intentional associations with recognized leaders in residential construction generates a valuable supply chain
- Trade Partner Relations
  - Ensure the stable supply of materials and labor so that homes are constructed with quality materials and on time
    - Strategically source materials to create leaner and more competitive supply chain
      - Maintain and develop supplier/multiplier relationships with industry leaders
    - Leverage buying power through consistent material purchases across all Divisions
    - Manufacturer/Supplier Programs
      - Increase rebates
      - Supply guarantees
      - Pricing stability



# Operations – Construction Performance

- Development of systems for efficient construction methods and execution
- Divisional consistency of construction best practices
- Centered attention on limited defects and customer experience
- Time
  - Establish comprehensive activity and scheduling by series and foundation from construction start to product delivery
  - Accurate forecasting
  - Electronic data entry from field to indicate progress
- Customer Relations
  - Established system of checks and balances with our Platinum Protection Plan
  - Set clear expectations through Homeowner Handbook
  - Provide positive and educational home buying experience to create customer satisfaction



# Operations - Risk Management

- Owner Controlled Insurance Program
  - Able to control the limits of McCar Homes legal exposure
  - Risks are efficiently financed and high limits are available to protect against catastrophic losses
- Contractual agreements requiring performance, insurance and safety standards are met
  - General Scope of Work
  - Trade specific Scopes of Work
- Safety Training
  - International Code Council
    - 100% of Managers hold all 4 ICC certifications
  - Occupational Safety and Health Administration
    - 100% of Construction Staff is OSHA certified



# Sales and Marketing

- With the changing market and buyer mentality McCar has had to change to adjust to the new environment; we have done this by focusing on the prospective customer's needs
- We have been able to increase market share in a very challenging market by using relationship orientated selling
- McCar Realty
  - McCar's licensed real estate agents generate commission revenue
    - More professional perception to our customers
    - More qualified and better trained agents
  - BRASS Training (Berke Relationship Accelerated Selling System)
    - System of persuasive communication
    - Relationship versus transactional selling
- Traffic Generation
  - Broker Program – Develop relationships with brokers to drive realtors with buyers to our neighborhoods
    - 72% of sales through co-op agreements
  - Referral Program – Establish networks with homeowners to feed leads to our onsite agents
  - Advertising – Use traditional media sources to generate brand awareness and traffic to our website and communities
  - Internet Strategy – Provide brand and neighborhood specific leads to our online and onsite sales departments
  - Signage – Create neighborhood specific awareness and traffic
  - MLS – List all McCar inventory homes in the MLS database to increase exposure
- Online Sales Program
  - Generate and nurture sales leads through the use of the McCar Homes website, third party websites and the McCar Homes “hotline”
  - 8% of total sales in 2008 were generated from the Online Sales Program

