



## A message from Tom & Caroline Hoyt, founders of McStain Neighborhoods



We're on a mission here.

November 2008

To our customers, friends and associates,

We have been asked whether McStain Neighborhoods will continue operations in the current economy, when many other builders are closing their doors.

We are writing to assure you that McStain Neighborhoods intends to continue selling, building and servicing our homes. To ensure the sustainability of our company in this very difficult economic environment, we are implementing some very innovative operational changes that will focus our whole organization on the neighborhoods where we work.

We have been in business for 45 years. The company has endured several average downturns and one serious recession (1986-1990), but nothing compares to the current situation. I think you are all aware that this has become "The Perfect Storm" as it affects the housing industry, the financial system, and the entire country.

In Colorado, the economy to date has remained relatively strong, with less home depreciation here than in many areas. Even so, the Colorado consumer confidence in October was at an all-time low, and financing remains very tight at all levels. This environment has directly affected home buyers' confidence; and although we still see a good number of interested shoppers in our sales offices, very few currently have the ability or the comfort level to make a purchase.

With that reality in mind, our plan going forward will be to concentrate on those things in our organization that truly matter to the production of great homes for our customers. In the McStain Mission Statement we commit ourselves to designing and building visionary and sustainable communities, and to treating our customers, our trade partners and the greater community with respect and integrity.

You will see the following changes in the way we operate as the rest of the year unfolds – changes designed to make us more nimble, efficient, and give our customers more attention and choice:

- We are leaving our central office and Home Studio in Louisville by the end of November. Employees who are not based in the field will become part of a dynamic "virtual office" supported by several small offices in or around the neighborhoods where we work. This change will redirect our focus to building and selling homes and away from the corporate hierarchy.

- Also this month, our Home Studio will become virtual and mobile. Our interior designer, Tami Noel, will meet with our customers in the communities where they are buying their new homes and at our flooring partner's showrooms to assist customers in personalizing their new homes.
- As communities near build-out in this slowing, new-home-sales environment, we are likely to use mission-aligned real estate brokers like Mark Cooper of Coldwell Banker, as we have already done at Platt Park. We will continue to maintain close contact with our customers regardless of the sales structure.
- We will further reduce our core staff to the point where we can still meet our commitments. It has been extremely difficult to lose fine staff members over the past six months, but it is necessary to align our staffing with the amount of work during this downturn.
- Until now, we have kept earnest money and customer deposits in a sequestered account, where they can only be used against the final house purchase at closing. We will continue to do this going forward, and we are taking the additional step of partnering with Land Title Guarantee Company, who will now hold earnest money and deposits in an escrow account outside of our company.

Finally, there is one thing we will NOT change. We will continue to work with Smart Mortgage LLC, an affiliate of Wells Fargo Home Mortgage, as our mortgage lending partner. Wells Fargo was listed as one of the top 10 safest banks in the world by Global Finance magazine on September 4, 2008 and we are confident that they will serve you safely and well.

We apologize for the length of this letter, but we wanted you to know that we understand these are unsettling times. We are energized by the changes we are implementing. For a long time now, we have talked about ways to become a leaner, tighter and more efficient organization. The economic situation is forcing us to get out of our "comfort zone" and move into the future.

Please feel free to contact us or any of our staff with questions. We will be transparent and honest in our response. We are committed to treating you with respect and integrity.

Oh, and in case you are looking for a new home, please take a look at our list of move-in ready homes available at <http://www.mcstain.com/promo/quickmovein.htm>.

Sincerely,

**Caroline Hoyt**

cjh@mcstain.com

**Tom Hoyt**

trh@mcstain.com

*McStain Neighborhoods, Founders*

