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Subject: <no subject>
Attachments: Buffington draft Plan 10-24-13.pptx

See attached and comment. See you at 4

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BUFFINGTON HOMES LAND PIPELINE

Situational Analysis & Strategic Alternatives

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Current Challenges with Buffington

- Insolvent Land Pipeline
 - Management indicated accelerated lot sales pressure from main creditor has resumed leaving land supply in question
- Unstable and inefficient capital structure
 - High cost of capital for homebuilding company
 - Reliant on key principal personal guaranty
 - Small and fragmented commercial commercial credit facilities from small banks.
 - Concerned shareholders
- No Clear plan for return of investor capital
 - Return of Capital with pref not achievable with current earnings and distribution rates
 - Assuming a 50% increase in earnings and maintaining 10m of REAL balance sheet equity, Distributions will not exceed 2m per year until 2016.
 - At that time there will still be 16m+- in outstanding capital
- 9.5m outstanding to UDF Entities
- Questionable performance
 - Minimal unit growth while market expanded by 30%+
 - Will likely miss 2013 mid year profits forecast by 20%
 - 1m in salaries and compensation paid to key management shareholder and family members.
 - Division President not compensated based on performance (360k salary plus 2.8% ownership in subordinated position)

Strategic Goal

- Remove most points of leverage that UDF has over Buffington Organization to protect all Buffington stakeholders and their investments while creating an immediate vehicle with an identifiable source for distributions
 - UDF Points of Leverage
 - Financing to Buffington Homes
 - Control of Buffington Homes Lot Supply through Financing of Buffington Land
 - Control of the most liquid assets
 - Future capital needs for Buffington to secure additional land assets
 - Tom Buffington personal guaranty

“De-leveraging plan”

- **Buffington Homes Financing reliance**

- Buffington Homes exposure to UDF companies for Construction Interim Financing is 13m in outstanding commitments and 9.5m in outstanding debt. Buffington Homes currently has 14m of sr debt facilities for interim construction with x outstanding. Buffington Homes currently has 14m of additional lines that have recently closed. These lines are all guaranteed by Tom Buffington. It is possible to extinguish all reliance on UDF by Dec 2013.
- It is further possible to reduce Buffington Homes reliance on external financing through a master recap of the company's debt. Doing so will eliminate risk to the company by providing an all encompassing debt solution that does not rely on principals as guarantors.

- **Control of Buffington Homes Lot Supply through the financing of Buffington Land**

- Buffington can protect its current developed lot supply by creating a land bank and having the lots released from lien by UDF through an accelerated takedown of the lots at the currently contracted prices. UDF is currently insisting that Buffington take down more lots. Taking down these lots into a lot bank most likely will be seen by UDF as a compliance with their request and not as a strategic maneuver to designed to significantly reduce UDF's leverage over the Buffington Organization. The new lot bank entity accomplishes 2 imperative strategic goals and significantly increases capital recovery probability for investors through both a primary and secondary source of repayment.

“De-leveraging plan cntd.

- Buffington to secure capital for new land development partnership
- Secure Financing for Buffington Homes and Buffington Land that does not require guaranty from Tom Buffington

Retain Mackinac Partners

- **Scope of Assignment:**

- ■ Retain Mackinac Partners on behalf of the non controlling Buffington Limited Partner Constituency in an advisory capacity to assist the company in a comprehensive Restructure Plan.
- ■ Fully develop enterprise & portfolio level strategic alternatives.
- ■ Provide a comprehensive plan to satisfy all stakeholders and isolate current near term land position into new SPE completely detached from existing Financing source .
- Provide Strategic plan and execution ability for Negotiations with Main creditor

- **Summary of Tasks to Perform:**

- ■ **Enterprise Level**
 - □ Meet with Key investor principles to discuss current state of business and alternative plans.
 - □ Coordinate meeting with current company management to have frank discussions about the land pipeline and impact to value of the business
 - □ Negotiate and profer solution with main creditor.

Potential Restructure Plan for Land and Homebuilding Investment

Move Buffington Homes developed lot supply currently held by Buffington Land Group into a Lot Bank Entity owned by existing A share holders in Buffington Land Group and Buffington Homes

- a. New Capital to buy out existing A shareholders in HB –roughly 20m inclusive of the Buffington Class B partners piece
- b. HB A shareholders simultaneously move re-contribute capital to new spe and take down 20m in land and lots from Buffington Land at current contract prices and negotiated land values receiving free and clear title to lots and land.
- c. Buffington Land Group A Shareholders receive 2m dollar capital credit in new Land SPE
- d. Finished lots are priced back to Buffington Homes to support repayment of all capital with a 10% annual rate of return
- e. SPE sells lots to Buffington Homes and subordinates to Buffington Homes sr debt facility on a lot by lot basis and then receives payment once home is constructed, sold, and closed
- f. All Buffington Investors exit their various investment with a 10% rate of return going forward through an asset backed disposition plan (approximately 36 months)

Accomplished objectives

- Removed all points of leverage that UDF possesses over the Buffington organization by extinguishing their control over the homebuilding companies financing and its near term lot supply
- Provides a definable, risk mitigated asset backed exit for all Buffington Investors through transferring all shareholders into a land SPE
 - Investors have moved up in the repayment priority and are no longer dependent on operating earnings for return of their investment
- Removes the partnerships reliance on GP's principal guaranty, significantly reducing the partnerships risk
- Allows for Buffington Homes to have a viable long term capital structure with a solvent land pipeline