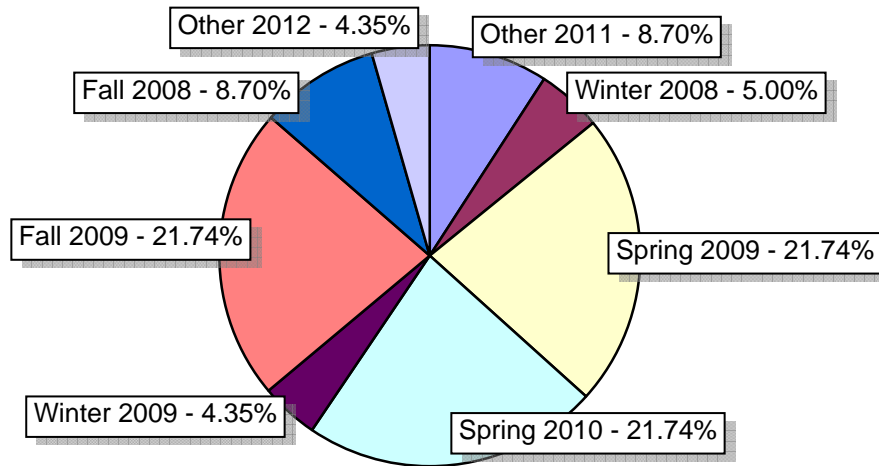


Sullivan Seminar  
SAN DIEGO AREA  
May 28, 2008

Question 1:

When do you think the housing market will start to recover?  
Percentage of Total Responses



Question 2:

What is the most important technique(s) your organization will employ to survive and thrive during the downturn?

It was interesting to note that the responses to Question 2 were generally within eight categories as follows: Personnel, Adapt/Diversify, Inventory Control, Operating Efficiency, Service, Pricing/Affordability, Planning, and Marketing. These answers were generated from varied perspectives including those of builders, lenders, subcontractors, service providers, and more. Below are a variety of the responses that encompass each category.

● **Personnel** - Staff training, support, and morale boosting techniques, choosing/keeping quality personnel, and further education

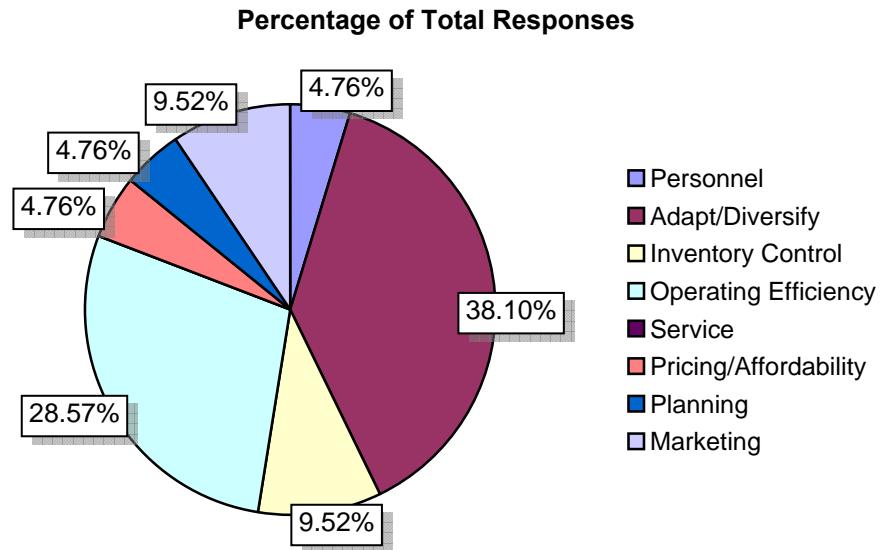
● **Adapt/Diversify** - Entering new markets, building or cultivating new products, adapting existing products or business plans, moving into commercial real estate, being selective in new ventures, and partnering with other businesses to create value

● **Inventory Control** - Reducing inventory, focusing on increasing sales, shedding overhang, limiting development, holding land

● **Operating Efficiency** - Downsizing staff, cutting costs, learning from mistakes, stability, protecting assets, and conservative spending

● **Service** - Providing outstanding service to clients/customers, understanding client needs, building relationships, and better communication

- **Pricing/Affordability** - Reducing/cutting prices, lowering fees, new/better financing options, and conservative underwriting
- **Planning** - Evolving business models, planning for recovery, shifting forecasts, evaluating assets, and redefining goals and objectives
- **Marketing** - Monitoring competition, establishing new marketplace plans, advertising, enhanced positioning, and maintaining/increasing presence in marketplace



As the graph above indicates, the largest response rates were **Adapt/Diversify** (38.10%) and **Operating Efficiency** (28.57%).

**The following are a sampling of answers given:**

- Pricing to market
- Efficient management of all costs
- Letting the buyer know that the best time to buy is now!
- Cutting costs
- Looking for opportunities outside of "traditional" new home construction
- Downsizing business
- Flexibility
- Thinking "outside the box"
- Being selective when purchasing land and starting new deals
- Purchasing properties to hold until market recovery
- Moving to an industry that is well-positioned for a distressed market
- Being honest, realistic, proactive, and lean
- Target marketing
- Working with construction, loan banks to REFI and support sales
- Cutting labor workforce
- Cutting overhead
- Delaying new projects until market recovery