

LS Associates – Receivership of Residential Home Builder

Primary Industry: Residential Home Builder

Company Overview: \$450 million residential production home builder.

Secured Creditors: Significant outstanding obligation owed to the secured lender group of multiple institutions on a \$140 million Revolving Line of Credit Agreement, secured and collateralized by real estate.

Unsecured General Creditors: Substantial unsecured trade debt with over 2,000 trade accounts.

Performance Bonds: Multiple millions outstanding in Performance Bonds.

Situation: The Company was a privately owned and managed multi-state residential home builder. The Company acquired land and developed residential communities focused on the large track production market segment. The Company's growth strategy was driven by aggressive acquisition of undeveloped land parcels financed and collateralized under the bank group's revolving line of credit agreement. The Company's direct land acquisition strategy was supplemented with participation in various joint ventures, partnerships and other off balance sheet financing vehicles. The Company's revenue growth reversed in sync with the economic downturn, weak sales demand and the tightening in the residential credit market accelerated the Company's operating losses pushing the Company into default with its lender. After the expiration of a forbearance period, the bank group petitioned the courts for an agreed court order appointing LS Associates as Receiver.

LS Objectives: LS as court appointed Receiver, was ordered to assume and take control of the entities and administer the operations, assets, properties for the benefit of creditors. As Receiver, LS took possession, managed, operated, sold and liquidated the real estate and other assets and collected any and all monies owed to Company. LS emphasized the implementation of an orderly liquidating strategy ensured that the highest and best offers would be obtained in an orderly manner to preserve values for the significant volume of real estate assets.

Tasks Performed: As Receiver LS hired prior management and employees as needed to assist LS in providing day to day management of Company's business affairs and operations to effect an orderly sale process of real estate and other assets in order to maximize recovery values for the benefit of all creditors.

LS developed a wind down and liquidation strategy that focused on preserving assets value by quickly focusing on the identification and protection of assets, including maintaining Home owner associations and preserving value in communities.

LS also provided investigation and research for the identification of unrecorded other recoverable assets and money which significantly enhanced the recovery of unsecured assets.

LS operational strategy including implementing and managing the operations with tightly controlled budgetary process by developing a comprehensive detail operational cash budget and supplemented with weekly sources and uses detail schedules.

LS provided regular communication to courts and interested parties with the preparation of timely prepared Receiver's Report which were submitted to court for approval each month.

To maximize asset values LS recovery strategy included a combination of bulk wholesale transactions and individual retail sale transactions to achieve highest and best offers on all assets sales.

LS provided the Bank Group with routine distributions by submitting distribution motions to the court periodically requesting approval for the distributions of secured sales proceeds to bank group.

A claims process was developed so all creditors could make claims and receive distribution. All creditors were managed in professional manner consistent with the court direction. LS provided claim bar notices to all known creditors.

LS provided the courts with notice of Receiver's review of allowed and disallowed claims pursuant to courts claim administration procedures.

LS negotiated and settled mechanic liens, as needed, on property available for sale in order to efficiently liquidate assets.

LS addressed general administrative and corporate matters in efficient and effective to manner preserve the receivership recoveries.

LS worked with homeowners and communities to address negative publicity in communities to preserve asset recovery values.

Outcome: In summary, as Receiver in control of day-to-day operations, LS quickly moved to eliminate expenses, sell business assets and collect sale proceeds. LS's involvement is projected to result in the Company exceeding all recovery projections for secured creditors as well as unsecured creditors.