
May 3, 2006

Mr. Art Sandler
LM Sandler & Sons
Victory Drive
Virginia, VA

Re: Belmont & Rosecrest Subdivision Evaluations & Recommendations

Dear Mr. Sandler:

Enclosed is our completed Project Analysis for Chesapeake Homes. We are pleased with the results from our visit and with the meetings you set up for us including dinner with you and Steve. Each meeting was very helpful and worked well in helping us clearly see the current status of the project.

We recommend you read through the entire project analysis, we can review it with you then you can share its contents with the rest of the team. When reading through the report we suggest you go through and highlight any observations or recommendations you would like to discuss further. After you have completed your review, we would like to have a follow-up conference call with all parties involved and go over specific plans of action based on the report's specific observations or recommendations that we feel should be focused on at this time.

Below is the Methodology we applied to create a full scope report:

- *Toured Belmont and Rosecrest extensively*
- *Interviewed on-site sales team members of each community*
- *Interview several local Realtors*
- *Interviewed John Barns, President of Chesapeake Homes*
- *Interviewed Renee Bing, Sales Manager*
- *Reviewed internet marketing of subject properties and market competition*
- *Evaluated current marketing collateral, sales tools and strategies*
- *Evaluated sales gallery and sales tools*
- *Evaluated product collections at both sites.*
- *Evaluated current signage programs.*
- *Conducted 3 hour sales training for Rosecrest sales agents*
- *Discussed basic observations with owners*
- *Toured market area of both sites including several competitive communities*
- *Evaluated Rosecrest's Sales Team and conducted pre-visit mystery shopping*

We feel that the project analysis is a very comprehensive road map that will serve you well in creating a strategy for the sell out of the rest of both communities. We have recommended several changes on the structure of the sales programs' current business operations. We feel certain implementing these changes will help ramp up the sales and give the projects the extra push they need to finish on a higher sellout program with hopefully increased product values.



Understanding the pursuit of land, and the quest to achieve its highest and best use.

We look forward to discussing all of this with you further. Please do not hesitate to call us directly if you have any minor questions as you go through the report. We would like to schedule a follow-up conference call as soon as possible and will look to hear from you in setting up this call once you have reviewed the entire Project Analysis.

Sincerely,

Greg Verlander

gv/shh

/enclosures



BELMONT

PROJECT ANALYSIS AND RECOMMENDATIONS

I. PROJECT PRESENTATION

A. OBSERVATIONS

Belmont has excellent curb appeal from the main road as you arrive to the project, pass the entry walls and as you view the project's models and sales trap area. The town home units are nicely laid out and the road system throughout the project has good lines for the units' appeal as a streetscape. The color pallets for each building are attractive and fit in with the current styles of today's home exterior colors. The entrance to Belmont is upscale, attractive, and meets or exceeds expectations for a town home development. Upon turning into the town home development, the area directly in front of you is the green space. A large open area that is designed to be a recreation park area for the residents of Belmont. Although this area is beneficial to the project because of its sense of openness it does not match the quality and presentation of the dynamic entrance and streetscape of the project. This open area that seems to serve as the "gathering place" for Belmont residents is an obvious central focus as you tour the project. It seems as though this area was designed to be a place where families can gather, walk the dog, play with the kids, fly kites, have Easter egg hunts or community events. So it is going to be the "Village Green" - the construction must be complete or the entire value of it appeal is lost. It currently feels as though it is still under construction. There are a lot of bare dirt areas, no picnic area, few benches, and no vertical structure that anchors it or gives it a sense of importance and permanence.

In the back of the town home project, back by the bordering property of the trailer park, in between two buildings is a bare area that the sod has been taken up. It looks like either a pipe was put in or vehicles were moved around to the back of the units during construction. It looks as if there is a water run off problem and that it is a river. Area exits in between the two buildings toward the back of the property when it rains.

B. RECOMMENDATIONS

Because the "Village Green" is the first area you see pass the beautiful main entrance and does appear to be the main focal point for the community, we recommend that the entire park area be sodded first and foremost. This will give it a feeling of upscale living, a finished park atmosphere as well as most importantly greatly add to the value of the project.

We also recommend that a square large gazebo or similar structure be built in the middle of park so that this vertical construction anchors the Green. This makes it a place for the residents to be proud of and gather as well as show off to their friends and family. (See Exhibits 1a, 1b, 1c & 1d)



Place a permanent monument at the park showing it is the Belmont Village Green. Also our recommendations would be to add a few more trees and landscaping so that it has “green” appeal and presents a more polished, upscale feel.

The area at the back of the project where it borders the trailer park needs to be sodded and additional landscaping such as groupings of high bushes broken up with lower bushes spaced evenly all along the back wall. This will keep values up on the units backing up to this fence and help get those homes sold.

II. SALES PRESENTATION

A. OBSERVATIONS

The sales gallery’s location is good as long as the “Village Green” issue is addressed. The ease of parking and welcoming appearance is well done. There is ample parking and signage directing you to the sales gallery. Upon entering the sales gallery, the unit is nicely finished, upgraded with granite counter tops, premium carpeting, heavy molding, and upgraded appliances. The sales gallery has an acceptable layout but the sales modules are not in keeping with the overall quality and appearance of the rest of the project. The photos are “stock” photos and look unreal and too staged.

B. RECOMMENDATIONS

Make certain that seniors can easily exit their car and walk into the sales gallery. If the parking lot is gravel (We cannot remember if it was or not) possibly clear a walkway to the gallery door. A professional photographer should be hired to take photos of the fabulous Belmont model interiors. Actual lifestyle photos of real community activities would be an excellent addition to the sales gallery. A great opportunity to have had photos made was during the Easter Egg Hunt. Plus this would have shown the Village Green being used.

There should be an area map orienting potential customers to the amenities that nearby and convenient such as shopping, schools, Wal-Mart, grocery stores, drug stores, pools (the YMCA), tennis courts, recreational areas. An area map is a good way to orient customers as to where they are and add value to the project’s location instantly.

An area map showing the various locations of Chesapeake Homes’ projects should be added to help build the perceived value of the builder/developer. Plus this map answers the question of who is Chesapeake Homes. Testimonials would be good here too! There are currently seven projects underway. There should be a map showing the different projects and their locations around the city.



This presents instant credibility to a customer that is not from the area looking to purchase in Belmont. Chesapeake Homes is for the area a large builder and a company that builds homes in all price ranges. Add the price ranges on the map and the product type for each location either by photo or verbiage. Showing that CH builds in higher price ranges also satisfies the question of quality. Use the sales path we discussed in our sales training for Rosecrest to create your models. Area, location, community, neighborhood and product. The master site map needs to be rendered better and the home plans. The style of the home plan renderings today are “dated” and make the homes appear cheaper than the actual collection built.

Usually builders create renderings that many times not only make the product collection look better but also help the buyers see the entire streetscape – especially when it is product that is attached. A good choice and one well worth the money would be to do a beautiful watercolor of the actual streetscape. (See Exhibits 2a, 2b, 2c & 2d)

II. MODEL HOMES PRESENTATION

A. OBSERVATIONS

The model homes are fabulous but almost too fabulous. The difference in all of the models’ finishes to the actual standard town home interior specs built is possibly too extreme. It was discussed that most of the time you will finish at least one model that is close to the standard package with just a few popular upgrades. This helps the customer tour the model homes, see all of the fabulous finishes and upgrades, but after viewing the less upgraded model not be let down once when they begin touring the empty specs. This also works well if the empty specs are finished out with popular finishes seen in the better homes and furniture stores today. Most importantly all of the finishes should work together: lighting, plumbing, cabinetry, counter tops and trim. The current specs are not finished out consistently with regard to the finishes nor do they feature the latest trends. There is just too much disparity between the decked out models and the empty specs. If the pricing of the units are going to remain as they are today, the specs will support this price range if the finishes are updated and work together to make the unit seem professionally designed and polished.

More outdoor living should be featured in the model homes in the patio areas. With the weather coming warmer the agents should demonstrate the outdoors and show how the patio extends the indoor living space to the outdoors.



B. RECOMMENDATIONS

We suggest choosing one of the models to de-decorate so that it is closer to what a purchaser will choose and upgrade the finishes currently offered in the spec units. The interior finishes for all of the town homes needs to be re-selected.

The interior design firm being used at Rosecrest should go through and select the three to four packages of finishes for the units customers can choose from or will be used to finish out the spec unit built. Used elegant brass plates to showcase standard features in the model home de-decorated. Possibly make this unit the last one viewed even if the agents have to skip over it and come back to it before the complete the model home tour and begin the spec home showings.

The model homes need more outside living merchandising. Merchandising the patio areas will also help to create privacy in the units. Items such as patio sets with umbrellas, floor or hanging plant groupings or elegant pottery should be used. It was decided to hold off installing patios in some of the specs. We suggest putting in patios in all of the specs. No less than 10' x 10' but even a little larger would work well.

This not only draws the buyer outside it increases their living space perception and shows how they will enjoy their patio as an extension of the home. To open up doors onto unfinished areas or grass creates a poor feeling of undone or unusable to purchaser.

We do not recommend changing or lowering the prices at this time. You are heading into the prime selling season plus you have so many units already sold that previous purchasers could in fact feel cheated. You will lose the chance to obtain referrals from current residents. You should have prices increased as the streetscapes become finished and more appealing in their appearance. Your agents should focus on the fact that once this project is sold out and there is only "x" number of units in the entire project that there will not be another one is this particular location.

To support the current prices you should:

- Make certain the agents sell the never again concept for that particular location and price*
- Finish the Village Green and make it seem important especially since there is not swimming pool or tennis courts*
- Place a permanent marker on the Village Green*
- Re-do the selections for the finishes so that they are more in keeping with today's styles*



- *Change the sales materials so that the more upscale renderings are featured not only in the handouts but in the sales displays and on the website*

II. WEBSITE & ELECTRONIC MARKETING

A. OBSERVATIONS

The website for Belmont is hard to find. The Google searches we conducted never gave us the Belmont site nor the Chesapeake Homes site.

There are numerous town home sites and real estate sites showing town homes but none leading us specifically to Chesapeake Homes.

B. RECOMMENDATIONS

It is our recommendation that the Belmont website be redone with graphics taken from the new sales gallery modules. The site should look exactly like the sales gallery as well as the brochure and any ads run. Remember consumers are hit with so many messages every day that all of the images produced for the project should look the same and work to reinforce each other.

The new renderings created for the sales displays should replace the current ones on the site and the floor plans should have furniture placement in them. An area map should appear on the site showing the location of the project with labeling on all of the nearby amenities.

The site should be able to lead the visitor to the Chesapeake Homes site that will show in further detail all of the builder's projects underway. The Belmont site should have virtual tours of the fabulous models and the community. The follow up from every web hit should have the onsite sales team emailing the visitor immediately as well as offering the visitor a reason to fill in the web "gate". Add testimonials as quotes (no actual names or photos are needed) – just insure that the words said are true and were actually spoken by someone. There should be beautiful photography of the new park area as well as the streetscape of the homes already built.

A shorter version of the Chesapeake Homes story should be told on the Belmont site and list the other projects so if the visitor chooses not to exit the Belmont site and go to the Chesapeake Homes site they will still understand how good the builder is and how they stand behind each product built.

Another web issue that needs addressing is the search engines service. Since the Belmont and Chesapeake Homes sites are not coming up in the front of the searches on Google or Yahoo you should hire a search engine specialist to ghost more words onto your home pages and work on getting the sites to the front of the searches.



This should cost anywhere from \$300 to \$500 a month for no less than 6 months to 12. It is well worth the result and you will find more direct sales as well as more web site hit sales, which are some of the most inexpensive ways to generate sales today.



ROSECREST

PROJECT ANALYSIS AND RECOMMENDATIONS

I. PROJECT PRESENTATION AND SIGNAGE

A. OBSERVATIONS

Because West Neck is a large master planned community featuring an Arnold Palmer Signature Golf Course and numerous sold out neighborhoods of different types of products, Rosecrest has to work extra hard to generate traffic to its section in the back of the community. It is important to note that all of the neighborhoods are basically sold out so the developer has no reason to focus on or spend dollars on a master marketing program. It is our understanding that he has moved on to new MPC elsewhere. This means that Chesapeake Homes has to do this job and not expect the developer to oversee the marketing efforts. We further understand that the sales team is provided by the developer but again it seems quite possible that this team is simply the left over factor on a once busy sales and marketing program when the community was vibrant and active with new home neighborhoods.

The main entrance into West Neck is very well done. It is a beautifully landscaped featuring a large brick entrance with a nice divided landscaped roadway median and a rotary about a quarter of a mile into the community. The visitor is able to obtain glimpses of the club and golf as they drive through the project. However, it is a little confusing to the customer entering the development for the first time to know exactly where to go once inside the circle.

There are about six neighborhoods inside West Neck and the directional signs are pretty but not effective. It is important to note that both Chesapeake Homes communities are located at the very back of the community. Additional signage is needed to direct customers back to Rosecrest, which is in fact the last neighborhood to be developed in the community.

Large “yard arm” real estate signs denote the homes that are for sale in Rosecrest. The For Sale signs are standard Real Estate company signs that has the Real estate company’s name and phone number. The Rosecrest name does not appear on the sign nor does the name of the plan or the builders. The phone number on the signs does not lead to the model but to the Real Estate company’s sales office.

B. RECOMMENDATIONS

There needs to be an overhaul on the signs throughout the development. It is quite confusing once a customer turns into West Neck. West Neck is such a large development with roundabouts and entry roads into several other communities that it is easy for a customer to become confused and frustrated about where to go to see new homes. Plus there are numerous resale homes for sale with For Sale signs in their yards. It is easy for a prospect to end up in the wrong neighborhood. (See Exhibits 3a, 3b, 3c, 3d & 4a)

Signage Needs are:

- ❑ *Directional signs featuring the Rosecrest logo and arrows - we like the ladder sign design where all of the neighborhoods are featured but since all of the other projects are sold out and mainly feature resale homes we suggest independent directional signs that are low to the ground, match the existing West Neck signs and have arrows indicating which way to go*
- ❑ *Model home Open sign – like The Grove*
- ❑ *Home “Available” or “Under Contract” signs – see below for content on each sign*
- ❑ *“Private Residence” signs*
- ❑ *Lifestyle Banners that could go on street lights in the model home cul de sac*

We like the overall look of the sign designs in West Neck. This design style should be replicated for Rosecrest. (*see photo 1). An exact smaller duplication of that sign could be used for the uses listed above. Exact replicas will maintain the continuity of development and reinforce to the customer that Rosecrest is a part of the West Neck golf community. Rosecrest directional signs are to be placed at every turn and about every quarter of a mile leading customers directly to the neighborhood’s model home park.

The for sale signs in the yards of the spec homes should be made in the same design as the other community signs - the only info on each sign should be:

- ❑ Rosecrest Logo
- ❑ Available or Under Contract
- ❑ Model Home Phone Number
- ❑ Chesapeake Homes Name
- ❑ Rosecrest Website address
- ❑ And possibly a rider that says things like “Master Down”, “Four Bedrooms”, “Finished Bonus Room” or “Sun Porch”, etc..

For homes already occupied “Private Residence” signs should be offered to each family and provided by the builder.

We recommend that banners be installed on streetlights that line the cul de sac of the new model park area. These would extend out over the road, featuring the colors of Rosecrest along with verbiage such as “Welcome to Rosecrest”, “Country Club Living”, “Low Maintenance Homes”, “Quality Custom Features”. These banners would have a strong sense of arrival and be inviting to prospects who are hesitant to visit a model park. They would also serve to denote senior driven lifestyle points that should be promoted. All signs should be ordered by the sales director from the sign maker. The ad agency does not need nor should they spend time on overseeing the sign ordering or design process.. plus the sign designs already set in West Neck are nice and should be used in the design of the new signs. Find out who the sign maker is and use his or her firm to have the signs made or have him email his design to you for a price.

II. MODEL HOMES & SALES GALLERY

A. OBSERVATIONS

The current model home serves sufficiently as a showcase of upscale lifestyle but lacks some attention to details that would have helped entice the targeted audience of active seniors to see themselves living in it and Rosecrest.

The current model home is too far from the specs, is hard to direct traffic to and since the specs are located before the model people tend to go the specs first no matter how hard you try to stop them or direct them down the road further to the model home. This is just human nature – just like people avoid salespeople on car dealership lots.

There is not enough demarcation for the entrance into Rosecrest. Even though the entry monument is excellent, it is on the opposite side of the street where drivers are looking so the impact is greatly lost. Additional signage indicating this is Rosecrest is needed.

There are not enough sales tools in the model for the agents to utilize in selling lifestyle first before product. Nor are there enough country club lifestyle elements in the model’s merchandising to reinforce the club environment that West Neck offers drastically setting it apart from almost all of its competition.

The color scheme and theming in the model is a bit severe considering the targeted buyer is mostly seniors who may be overwhelmed by the vibrant red color and patterns. Seniors usually enjoy entertaining in rooms that are not too contrived or “over-decorated”. The changes needed in the furniture placement are discussed below in the recommendations. Colors as specific as the ones used in the model are usually most effective when they mirror the area’s local college and the college has a strong athletic program or football team. If the project is located in the town where there is huge support for the college using the team’s colors can create strong emotional connections to local prospects. Many of the models in Atlanta feature a Georgia bulldog room or color scheme. In Nashville or Knoxville you will see lots of UT orange. In Columbia we always had a Gamecock - garnet and black room.

B. RECOMMENDATIONS

We do recommend that the current model be used until the new models are ready in the cul de sac area. We do not suggest that this model’s interiors be used in the new models. The idea of keeping the model as is until you are ready to move back into it as the new model for the second phase could work but we suspect there will be a buyer for the model as is if the agents are allowed to show it. This way the final model park for the final phase could be located passed the land dividing the two sections. The signage we have recommended earlier will guide buyers to the model cul de sac and allow the agents more control over who sees the models and how they meet and greet prospects. The banners will set the tone for the new model park area making it feel more like a store-front village area. It will make this area more welcoming and user friendly.

The new models need to have some sort of golf theme somewhere in their merchandising design. The colors should be more in keeping with today’s styles as seen in upscale furniture stores or the latest restaurants. The specs should stay with the builder beige. This color should be the wall color for the town homes in Belmont. The yellow tone paint is dated and not a good match for the wood tones in the cabinet, carpets and hardwoods.

In Rosecrest the patios should be heavily merchandised as well as the porch areas. While we were driving through West Neck we noticed how many people were outside on their porches and patios. Out door living is big in this community. So patio umbrellas, the built in grill units, elegant potted plants and music would work well.

Heavy landscaping should be placed in the fronts and backs of the model homes with heavier greenery near the edges of the driveways and corners of the yards. The landscape layouts should be curvilinear not so uniformed or boxy -this reinforces the sense of resort golf club living.

The landscaping is too urban and structured. The planting layouts should veer away from square patterns. We recommend a professional landscaper be used to design the model home yards so that they fell resort and upscale. Seniors like to create upscale yards when they are small and easy to manage. They identify heavily with greenery, plantings and outdoor living.

The interior finishes of the specs are well done and work well as individual packages including the paint colors, lighting, plumbing, trim, carpet, hardwoods, cabinets and counter tops. The exterior though need work and should feel more like a planned collection. The corner unit elevations do not match the cottage styles of the interior units. We would suggest an outside architect be used as a good second set of eyes to review the collection's elevations and make specific architectural changes that result in the streetscape working better together. We have also included three new floor plans that should be added to your collection. Renee and the agents should review these and make recommendations to them as well as the current plans. Senior living floor plans have basically been perfected and value-engineered for small lots all across the country. You do not need to re-invent the wheel. You must simply capture the essence of your market in the elevations and make certain all of the elevations work together as a collection.

While the current model is being used we suggests implementing the following recommendations to help maximize its effectiveness until you are moved into the new models.

- ❑ *The keeping area needs comfortable chairs with ottomans and lamps for reading as well as a rug to warm up that space.*
- ❑ *The bar in the kitchen needs more place settings to show how several people can be fed there in addition to the casual dining area or dinette.*
- ❑ *There should be much more outdoor lifestyle and merchandising of the back patio.*
- ❑ *It needs more plants and furniture that is very comfortable and promotes prospects sitting out there while home shopping.*
- ❑ *Piped in music would work nicely to set the "stage" on the patio and as you enter the model.*

As far as the sales component of the model home - we recommend installing sales gallery display modules into the current unit that will not over power its appeal as a model.

First, on the foyer wall, there should be a large display of photos showing the lifestyle of living in West Neck - a golf course community: Arnold Palmer photo with a short story box, photos of the club, the Grill, the new community center rendering, the fabulous entrance, the carving of Palmer in the tree, the tennis and the other amenities of the community. All of these should be Velcro taped onto a 6' x 8' photo of one of the golf courses best holes. If updated is needed the photos can simply be un-attached and new ones taped on. The collage should emulate the sales gallery displays used at Bedford.

We recommend the sunroom area be converted into a miniature sales gallery until the model home park is finished. On the wall to the left a large beautiful rendered master site plan showcasing the golf and club should be shown with overlays of lifestyle photos. These overlay photos should be of people walking, grilling out, gathering at the club, some photos of the club lifestyle that would give the customers a sense of what their lifestyle would be like if they bought into the Rosecrest community.

*On the café table under a glass cover should be a regional map of where Suffolk is in relation to the airport, interstates, etc.. and local map showing where West Neck is located in relation to shopping, highways, libraries, town centers, etc... a map of the phases of Rosecrest should be mounted on top of the master plan like a blowup.... so the customer can see the layout of the lots and how the streets are laid out, the home plans and different elevation renderings should be on the inside walls that divide the sunroom from the great room. This way the prospects cannot see the floor plans until they see the whole master plan and lifestyle.... *see figure 1 map for display positions.*

As discussed we understand that there will be new model homes in the cul de sac area where the other spec homes are built. This will serve as the model park area. We recommend that these model homes not be over amenitized but rather have a few upgrades that are in keeping with the price range. Being well decorated does not mean going all out so that there is a huge difference between the upgraded model and the homes the customers will receive at the standard prices. It is faster for the agents to sell specs when the model is closer to what the people will actually buy. A golf cart with the Rosecrest logo should be bought for the agents.

This way as the specs near the models are sold out the agents will be able to ride the prospects to the newer units and talk about the outdoor lifestyle as they ride. It brings people closer to the land and helps the agents sell lifestyle. Walking is hard on seniors and slows down the sales process as well as makes the prospects tired and frustrated.

Driving in the agent's car is OK but using a "golf" cart instantly promotes "club lifestyle" living. If private golf carts are approved -how about providing a cart with each new purchase?

III. PHASING

A. OBSERVATIONS

To help create a sense of buyer urgency the site plan given and shown to prospects should present the neighborhood in phases. Showing the entire plat with all of the lots makes prospects want to wait for the future "perfect" lot. The site plan should be updated frequently so that the only lots shown are units with home plans selected that are specs or soon to be specs underway. The prices of homes in the future phases should increase. Premiums can be added to these prices. There is no need to breakdown why the prices are higher except by phase. Currently there are too many lots shown for the customer to choose from with out phases indicated or price increases by phase.

B. RECOMMENDATIONS

Rosecrest should be broken up into three different phases. Phase 1a & 1b. Phase 1a would be the Enchanting Circle where the homes are already currently under construction. Phase 1b would be Charisma Court where the model home currently is located and Phase 2 would be located past the West Neck Parkway.

Heavy planters should be placed on the roadway past West Neck Parkway to block the road and not allow prospects to enter Phase 2 - Elegance Lane, Cadence Way(?), and Elegance Lane Circle. This would be for future development, Phase 2, and those are not available for customers to preview at this time. Customers should be told that there is no date set yet for this phase to be released and that when they are released home values will be higher with lot premiums.

IV. SALES TEAM AND SALES OPERATIONS

A. OBSERVATIONS

A couple of the Rosecrest sales agents were on hand when we toured the model. We chatted with them and held casual conversation interviews so we could evaluate their sales skills, presentations and selling points they are currently using in their Rosecrest sales presentations.

We found that the sales team is not incorporating the country club lifestyle into their sales presentations nor are they playing off of the fact that this is an Arnold Palmer Signature golf course and more than likely a community that will never be repeated in this location at these prices.

Nowhere in the sales literature or sales presentation does the Arnold Palmer name get mentioned. There is nothing about the golf course, the country club, or the amenities. Nor does it allude to the fact that this is the last neighborhood that will be developed in West Neck. Along with the other important feature of outdoor low-maintenance club lifestyle the fact that this is the last neighborhood should be played up.

Their style of dress although nice is not consistent with the country club lifestyle they are promoting. As we now know it is much better to sell the club lifestyle than simply the floor plans and product. We need them to focus on lifestyle more and project a club image that reinforces this new sales angle.

The agents all seem to lack a specific sales path to closing prospects or moving them further into the selling sequence based on the West Neck / Rosecrest program. Their sales style seems conversational but not as a technique to closing prospects. Their age and profiles are right but their skills seem weak or unfocused. They all seem very trainable but do not seem to have the management they need from their broker.

Bringing Renee on board as a sales & marketing director seems like an excellent idea but there are a couple of issues that need to be addressed if she is going to be effective in her job as well in her position in the overall chain of command in the structure of Chesapeake Homes.

B. RECOMMENDATIONS

In reference to selling Rosecrest to seniors and targeting seniors without having to say senior oriented living - the agents and their sales materials can show senior style living by having seniors in the lifestyle photos in the sales displays and sales collateral plus refer to the community and Rosecrest as a country club style lifestyle.

They can talk about previous (senior) buyers and what these couples or families like to do that reinforces club and senior living. Agents should build their sales story around this and the fact that this is the last neighborhood in this “country club” community. They should make certain buyers understand how these homes are new and not resale and that they can have today’s latest home features and worry a lot less about updating or extensive maintenance as opposed to the older homes in the rest of the community. This helps justify the prices and makes buyers want new as opposed to “used”.

We recommend that more emphasis be placed on the outdoor lifestyle in the sales displays, sales collateral and the agents' sales presentations. Seniors are typically very social; they have time on their hands to meet their neighborhoods. They want to see people in the sales collateral that they can identify with.

In fact, when we were touring the community and looking out of the back of Rosecrest specs to the adjacent neighborhood six out of the eight houses we could see had couples outside either doing yard work or enjoying the sunshine on the patio. We feel that in addition to the Arnold Palmer Golf Course and Country Club living lifestyle sales angle, we also need to incorporate the senior driven outdoor lifestyle that Rosecrest can offer its residents.

Sales people should also reflect a country club style of dress. They should be directed to wear golf or country club attire to work. The builder should provide an allowance for a couple of pro shop items to be purchased by the agents can wear to work. It would great to have several golf shirts, dress shirts, turtlenecks for winter or golf vest type items with either the West Neck logo or the Rosecrest logo. The team can wear these with khakis or casual pants that complements their shirt selection. We feel suits and heels are too dressy for the lifestyle promoted at the community. They should dress as if they were going lunch at a country club, or playing golf.

We conducted a three-hour training session and have added several additional training suggestions for Renee to hold for the sales teams in all of the projects. For Rosecrest specifically for now Renee is going to host a beer and pizza night after hours so that the sales team can create effective answers for all of the top objections buyers have today. These are written down and distributed to the team to review. Each answer should be practiced in role play sessions as well as utilizing the four basic steps to answering any objection with any of the four methods Susan taught during her sales training session listed below:

Answering Objections FOUR STEPS:

- 1) Re-state the objection the prospect verbalized*
- 2) Validate the objection - empathize with them in their observation*
- 3) Answer it*
- 4) MOVE ON – back to your selling sequence*

Answering Objections – FOUR METHODS

- 1) FFF – Feel, Felt, Found*
- 2) Testimonial – universal or by a specific resident (make certain it is true)*
- 3) Negative into a positive*
- 4) Negative overcome by other positive attributes (the Mercedes car story Susan told)*

The other major points Susan made during her sales session was teaching the buyer “How to Buy”. Renee will summarize the 6 to 10 steps on how a prospect buys. For example:

- 1) Prospect selects a spec home*
- 2) The agent and prospect select the features or upgrades to be added or changed*
- 3) The builder provides the final price and a contract is written with _____ % earnest money*
- 4) The buyer completes a loan application with a banker and a letter of commitment is written*
- 5) The buyer inspects the home under construction or completion “x” number of times with the agent and builder or superintendent present*
- 6) A final walk through is conducted*
- 7) The buyer receives the total amount due statement and brings a cashiers check to closing*
- 8) An orientation to the new home is conducted by the _____ within “x” days of closing*

The steps above are merely examples so a real list of steps on “How to Buy” should be printed on Rosecrest stationary and used in the packets reviewed by the agents with each prospect.

As far as sales operations we strongly encourage Chesapeake Homes to consider going inhouse for your sales program. The fact that 90% of the biggest and best builders in the country have inhouse sales teams and that most of these agents are now employees, should support the company looking heavily at going inhouse. Even though the current dollars to the listing broker is low for each sale, the lack of a cohesive sales program and the ability to effectively manage the team is resulting in needing consultants like Southcreek and having agent turnover as well as non-performing or slow performing community sales programs.

The business model for big builders across the country has been proven effective time and time again. These builders are making very high dollar margins and are successfully outselling their competition. Henry Delozier of Pulte/Del Webb homes did a two-hour presentation on the home builder and new home development business plan today at the Crittenden Conference last month. He discussed at length at how well they were making their margins and that their sales are not only growing as direct web sales but with higher closing ratios for their agents than ever before.

We suggest Chesapeake Homes take all of their community's sales inhouse and allow the agents to be managed by one sales director (Renee) who has total control over the sales collateral, websites, sales displays, sales procedures and sales operations for all of the active sites. Then the builder is not competing with other brokers nor is the sales team not united. The team should have sales goals individually and as a team for Chesapeake that is based on outselling other communities and builders not each other..... We feel the elephant is in the room and nobody wants to talk about it.. If Chesapeake desires to ramp up delivery of units to 200 or better the obvious decision is to control the sales and marketing completely. The costs savings you are experiencing today with the \$500 dollars per home is costing you in lack of velocity, turn over of sales people and lack of strength in sales and marketing control plus the ability to build the Chesapeake Home brand.

Renee does not have enough control in the day-to-day sales procedures nor does she have enough input into the day-to-day construction issues about home plans, finishes and collections. We believe she could be a very valuable asset if given the responsibility and support to implement the recommendations made here. It is rare in the history of the building business for a builder to rise to a 200 plus sales velocity and have each neighborhood sold by a different brokerage firm.

Much of the reasons why the sales materials, websites, search engine issues and sales displays exist are because no one broker cares as much about your sales performance in the market as a singular business than you. Having been a new homes division president for the largest resale broker in SC I know from experience that this is true. If I were your brokerage firm and I only received \$500 per home listing I would not spend the money to build the Chesapeake Homes brand nor would I promote custom home signs, added marketing dollars for each new neighborhood or hiring professional consultants to figure out why were are not selling your products. It appears that everything is inhouse but the sales and marketing?

The chain of command needs adjustment as well. Weekly meetings should be held to review what is being built, how it is working in the market, what if anything needs changing and walk throughs of new plans with the entire management team. Suggestions and ideas from the sales teams should be written down and discussed weekly by the entire management staff and when decisions are made memos are distributed indicating what has been decided and what actions will be taken to address the suggestions. There seems to be too many decisions made by John buy himself. He needs advice from the experienced sales agents who have good track records as well as from Renee who is growing everyday in her knowledge on what would work in the home plans and operations for the company.



V. FLOOR PLANS AND HOME PLAN COLLECTION

A. OBSERVATIONS

The current Rosecrest floor plans are relatively dated in their design and layout. Even though the flow inside the homes is limited due to the footprint of the house better plans are available for these size lots. It is easier to utilize plans provided in the market that are simply adjusted to suit the elevations of the collection created or reflect the style of the area in which they are being built.

B. RECOMMENDATIONS

Since lot sizes have decreased in the communities across the United States, there are many floor plans designed that will fit on a 50' lot that are more functional for senior living. Pulte/ Del Webb and some of the other developers that are strictly focused on senior living have devised plans that are real homeruns within their active adult communities. We recommend that Chesapeake Homes explore looking into some of these new plans.

We have included a few in our report that should be considered for Rosecrest. There is no reason that we see for an in house architect to come up with these plans from scratch since there are so many plans that are proven out in the market currently. Chesapeake should research some of the plans, purchase the ones that have been successful in other senior living communities and have your architect reengineer or value engineer these plans that will make them Chesapeake Homes. Their styles can easily be changed to fit the vernacular that Chesapeake Homes prefers to portray.

Because Rosecrest is a community geared for active adults, we suggest that more emphasis be placed on the outdoor living spaces or porch areas as well as comfortable entertaining areas like the model only better. As we all know, when it gets hotter and mosquitoes are out, screened in porches are preferred are very popular features on homes in club lifestyle communities. (See Exhibit 5a)

You currently have one or two plans in the current collection that are a perfect patio and screened-in porch combination but the interior is not upscale enough to support the price. The finishes are well done but something lacks the floor plan flow.



VI. CO-OP BROKER PROGRAM

A. OBSERVATIONS

Prior to our visit and during our time in Virginia we shopped and interviewed several local brokers to gauge their understanding of what is available in West Neck and specifically in Rosecrest. For the most part, the local brokers were not aware of the products offered by Rosecrest. One broker thought there was simply too much inventory in the project. We ask Renee to pull all of the listings in West Neck and see exactly what the agents are competing with. Then share this with the agents so that they will know what to sell to win out over the competition.

We also ask Renee to pull the comps to see what has sold over the last 12 months and figure out what home these were and what was their best selling feature. This way again the agents will know what the buyers are looking for and what made them decide to pick that unit over ours. If time and time again it is price then the perceived value of Rosecrest in the minds of the buyers and local brokers has got to be increased.

B. RECOMMENDATIONS

Once the sales gallery is completed with the visuals and the new lifestyle photos, we suggest that a local broker program be put into place to educate local brokers on just exactly what is available at Rosecrest and what the lifestyle and products that are going to be available at Rosecrest. Some of the best ways to get your message out of the community is to educate the local brokers since they will be your best allies in helping you sell your community. We don't feel that this broker program should be enacted until the sales gallery is complete and all the revisions have been made inside the current sales gallery.

Then, once the agents move the sales gallery to the new model home park, (we are hoping that transition will happen before the mid part of the summer or towards the end of the summer) a broker's event should be held that stresses last chance to sell West Neck's last new homes and also stress how much money is available in bonuses or commissions for all of the remaining specs left to sell. A country club themed event should be held and focus it on golf club living with putting green contests, a driving net with videos of the agents drive and a mini-lesson from the pro available right there on the spot, have raffles for golf attire with the Rosecrest logo – have a big drawing for a golf cart.

Always send three to five direct mail pieces to insure that the agents feel it is going to be fun and is important enough to attend. Make it seem headache free, quick event and great food. Feature the menu with (shrimp) on the invitation.

Do a save the date card early then the invite then a reminder then hire a firm to do phone calls as reminders to attend three days before the event to every broker on the mailing list in the area. Once again the builder will have to pay for all this because a broker will not foot this bill. Bear in mind that the Chesapeake Homes brand should anchor this event along with Rosecrest and not the broker. Brokers do not like to make other brokers look successful. Agents do like to sell builders homes though because it is less messy and usually the onsite agents do all the work. This is much of the reason why builders have agents who are employees and understand that they do all the work for the co-op brokers because they make more sales and earn higher percentages as they achieve their sales teams' quota or sales goals.

One agent in Rosecrest felt that John was happier if he sold a unit direct because the builder had a better margin on that unit. This is not the way business is done by big builders – builders want velocity and need every agent in the market selling their homes. If the sales team shies away from selling with co-op brokers - the co-op brokers will pickup on that and not support your community.

VII. MARKETING AND ADVERTISING

A. OBSERVATIONS

In our meeting with John and Renee we reviewed the current marketing plan and reviewed the direct mail campaign going into the local community. While these mail pieces were well done they lacked the crucial element of a “call for action” to “visit today” or “visit this weekend” or “Open House” this weekend.

B. RECOMMENDATIONS

Once the new Rosecrest model park is open, we recommend a consumer direct mail campaign that has five direct mail pieces each having a specific call to action. Something that prompts a person receiving this mail program to pick up the phone and make a call, log onto the Internet or visit the site.

Before this campaign is done though the other recommendations to re-do the renderings of the home plans, re-install the sales gallery in the new models, have the agents answer the top objections and host a broker event should be completed. There should be lifestyle photos, Arnold Palmer information about his golf course, information about the community, information about the senior activities and photo's of product as well as floor plans should be on the website as well before the mail campaign takes place.

Once people start getting their information from a direct mail program, it has been our experience that there will be a large number of hits on the website as people go on and do research about the piece that they have received in the mail. We need the website updated to portray an accurate picture of the club lifestyle at Rosecrest. Recommendations we made in earlier sections about the design of the website and its content.

VIII. CONTACT MGMT & LEAD FOLLOW UP

A. OBSERVATIONS

Lead tracking of inquiries does not seem to be as efficient as it needs to be. Once the mail campaign has started and the internet website has been upgraded, Chesapeake Homes needs a way to track all of the inquiries, names addresses, phone numbers of people who call in for information.

B. RECOMMENDATIONS

It is our recommendation that a software program be purchased for registering leads, and tracking those leads from where they either buy or die. You need software that is specifically designed to track inquires. We have used software programs in several other communities for multi-site developments. They work wonderfully and help the sales director control all of the sales people plus generate excellent daily, weekly, monthly and annual reports The software helps the agents manage all of their leads or inquiries and stay on top of the ones that take longer to buy - such as seniors.

The software is excellent for determining where those lead are generated, whether it is coming from direct mail advertising, newspaper, or magazines. It is an excellent tool to conduct market research to determine what has been your most affective advertising. It also manages those leads through completion of whether they buy in your community or they decided to buy somewhere else. It is also a powerful and useful tool for the sales people to track their leads and to conduct follow up phone calls. Sales managers and the owners use the software to track their sales peoples production.

It will be up to the builder to implement and monitor this program. Brokers as stated before the will not pay or effectively managed this system since their business is derived from large volumes of clients who all want to be the focus of their expertise. Even though each agent or each brokerage firm has a contact management system they do not marry into one reporting system nor do they do the electronic follow up that is so necessary in selling seniors who are slow to buy and need lots of follow up and personal attention.

IX. SALES COLLATERAL

A. OBSERVATIONS

The sales collateral seems to be strictly focused on product. There is no reference to lifestyle at West Neck.

B. RECOMMENDATIONS

New collateral should be created that will better serve to explain and reinforce the active adult lifestyle of the community. Currently there are no images in the materials that we were given that depict anything about the club, the lifestyle, the amenities; it is just product and floor plans. The true story of West Neck and its Country Club is strong enough that it does not need to be over powering or overly contrived, but does need to be portrayed in the sales collateral. The sales collateral should always include the critical path of the sales presentation to the community. This should not only appear in the sales brochure, but in the sales displays, the websites, and ad campaign materials.

X. SUMMARY OF RECOMMENDATIONS

- 1) *Redo the signage as discussed above. The directional signage needs to be installed from the main entrance. The For Sale signs need to be re-done, the private residence signs need to be installed as well as the banners*
- 2) *Install a sales gallery in the current model home to reflect the lifestyle within West Neck; i.e. the country club, golf course and an active senior living development – move it to the new model park and make it fit into the new models' floor plan*
- 3) *Redo the sales collateral so that it is consistent with both the website and the printed media*
- 4) *Once the team has moved into the new model park - start an aggressive co-op campaign with a fabulous golf themed event. After this event start an aggressive direct mail campaign not only to list purchased from a direct mail house but to the prospects who have already visited Rosecrest*
- 5) *Decorate the new models but do not overly upgrade them*

- 6) *Incorporate two or three new floor plans into the current home plan collection. Allow the experienced agents and Renee to help select these and the finishes for them.*
- 7) *Create the broker co-op program recommended with the golf themed event*
- 8) *Purchase the software programming for registering leads and management of the sales people.*
- 9) *Incorporate more of an outdoor lifestyle in the home plans*
- 10) *Have the agents sell country club low maintenance lifestyle more in their sales presentations utilizing the sales displays to be installed. Continue an ongoing training program for the sales agents as well as encouraging the sales agent to dress in "County Club" attire*
- 11) *Separate Rosecrest into three phases. Phase 1A, Phase 1B, and Phase 2*
- 12) *Allow Renee to have more say so in the decisions made as part of the mgmt staff*
- 13) *Study the sales and comps in West Neck to see what the competition is doing*
- 14) *Merge all of the onsite sales teams into one inhouse sales program*

Signed:

Date:

Greg Verlander

Signed:

Date:

Susan Verlander

Exhibit 1a



Exhibit 1b



Exhibit 1c



Exhibit 1d



Exhibit 2a



Exhibit 2b



Exhibit 2c



Exhibit 2d



Exhibit 3a



Exhibit 3b



Exhibit 3c



Exhibit 3d



Exhibit 4a



Exhibit 5a





