



Creating neighborhoods of enduring value.

McStain Neighborhoods

Can Sustainability Sustain a Profit?

Rocky Mountain Land Use Institute

March 8, 2007

Eric A. Wittenberg

President and CEO



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What were those green builders thinking?



Who we are...

- ✱ **Residential developer and homebuilder along the front range of the Rockies and key Denver infill locations in Colorado**
- ✱ **We are a Mission and Values driven company**
- ✱ **Strategic differentiation/competitive advantage:**
 - ◆ **National leadership in sustainable development and building practices**
 - ◆ **Four-sided and authentic Architectural Design**
 - ◆ **Award winning Community Design**
 - ◆ **Passionate dedication to outstanding customer service**
 - ◆ **Ownership Culture**

Who we are...

- ★ **Operating over 40 years**
- ★ **350 to 400 home sales annually**
- ★ **Diversified by risk, location and product in our markets**
- ★ **Developing in four key Denver area redevelopment projects – Lowry, Stapleton, Belmar and Gates**
- ★ **Strong culture of giving back**
- ★ **Good Weird**
- ★ **Not Perfect**



Building a Better World

✱ **We are a mission and values driven company committed to:**

- ◆ Designing and building visionary communities that integrate the aesthetic, physical and emotional needs of our customers
- ◆ **Developing and building in a sustainable partnership with the natural environment**
- ◆ Treating each other, our clients, associates, and the broader community we serve with respect and integrity



Values

- ✳ Commitment to our Customers
- ✳ Operational Excellence
- ✳ Fiscal Responsibility
- ✳ Human Spirit
- ✳ **Innovation**
- ✳ Continuity





McStain Neighborhoods Discovery House



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The Discovery Channel's *Survivor* is an instant hit, serving as much education as entertainment, and has brought my friends together to experience the sport. For simple natural learning, and teaching as well as enjoyment, our friend has hit the spot.



Our Communities

- ✱ **Build where people want to live, where there is a sense of place**
- ✱ **Design and build visionary communities**
- ✱ **Build in a sustainable partnership with nature**
- ✱ **Provide for social infrastructure**



40
years
& still
learning



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40
years
& still
learning



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learning



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Our Homes

- ✱ **Build aesthetically pleasing and functional high quality homes**
- ✱ **Provide for extensive personalization**
- ✱ **Authentic 4-sided architecture**
- ✱ **Resource efficiency**
- ✱ **Energy efficiency**
- ✱ **Indoor air quality**



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& still
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Energy Star IAP Homes

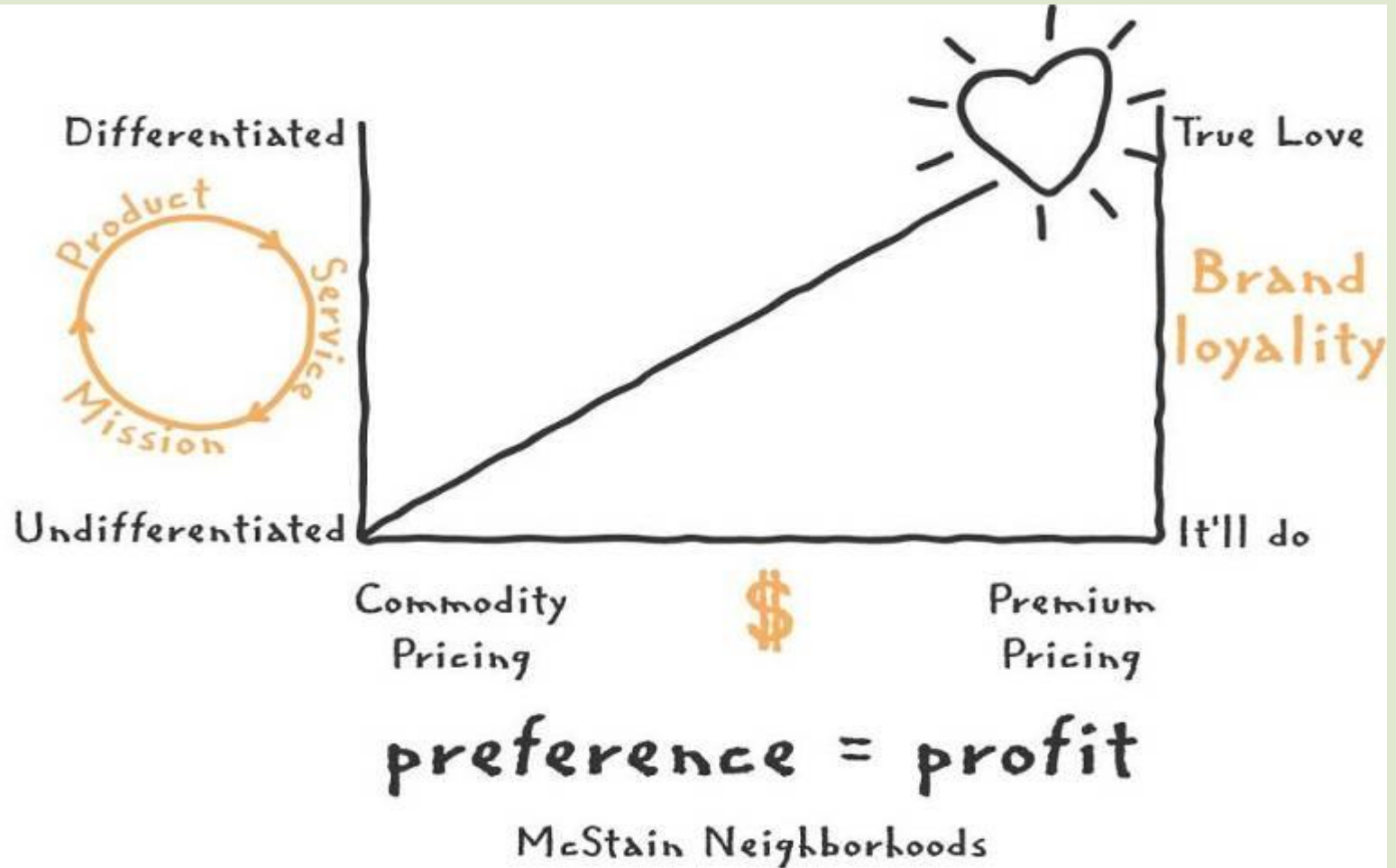


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Why Sustainable Development as a Business Strategy?

- ★ **Moral Imperative** – It's the right thing to do.
- ★ **Regulatory Imperative** – We will all have to do it.
- ★ **Market Imperative** – Consumers will pay more for it and will ultimately demand it.

The Tipping Point

- ★ 75% of Americans consider themselves “environmentalists”

- ◆ *Source: The Wall Street Journal Survey*

- ★ 87% of Americans say they are “concerned” about the environment

- ◆ *Source: Environmental Research Associates*





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CHIEF EXECUTIVE

January/February 2007

\$13.95 U.S./\$17.75 CAN.

Riding the **GREEN** Machine

TerraCycle's
Tom Szaky and
Imperium Renewables'
Martin Tobias

Plus:

CE Leadership Summit: The Global Imperative
What Does It Take to Stay at the Top?
What's Ahead for CEOs in 2017



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& still
learning

The cover of the March 2007 issue of Colorado Homes & Lifestyles magazine. The main image is a photograph of a modern, multi-story house at dusk. The house features large glass windows and doors, some of which are illuminated from within. The exterior has a mix of materials, including wood siding and light-colored stucco. In the foreground, there are large, dark rocks and some low-lying plants. The sky is a deep blue.

COLORADO HOMES

& LIFESTYLES™

ECO-CHIC

STYLISH DESIGN &
GREEN SOLUTIONS

REAL ESTATE REPORT:
Denver's new light-rail
communities

ColoradoHomesMag.com
March 2007

Barcode: 0 74470 03376 1
\$4.95 US



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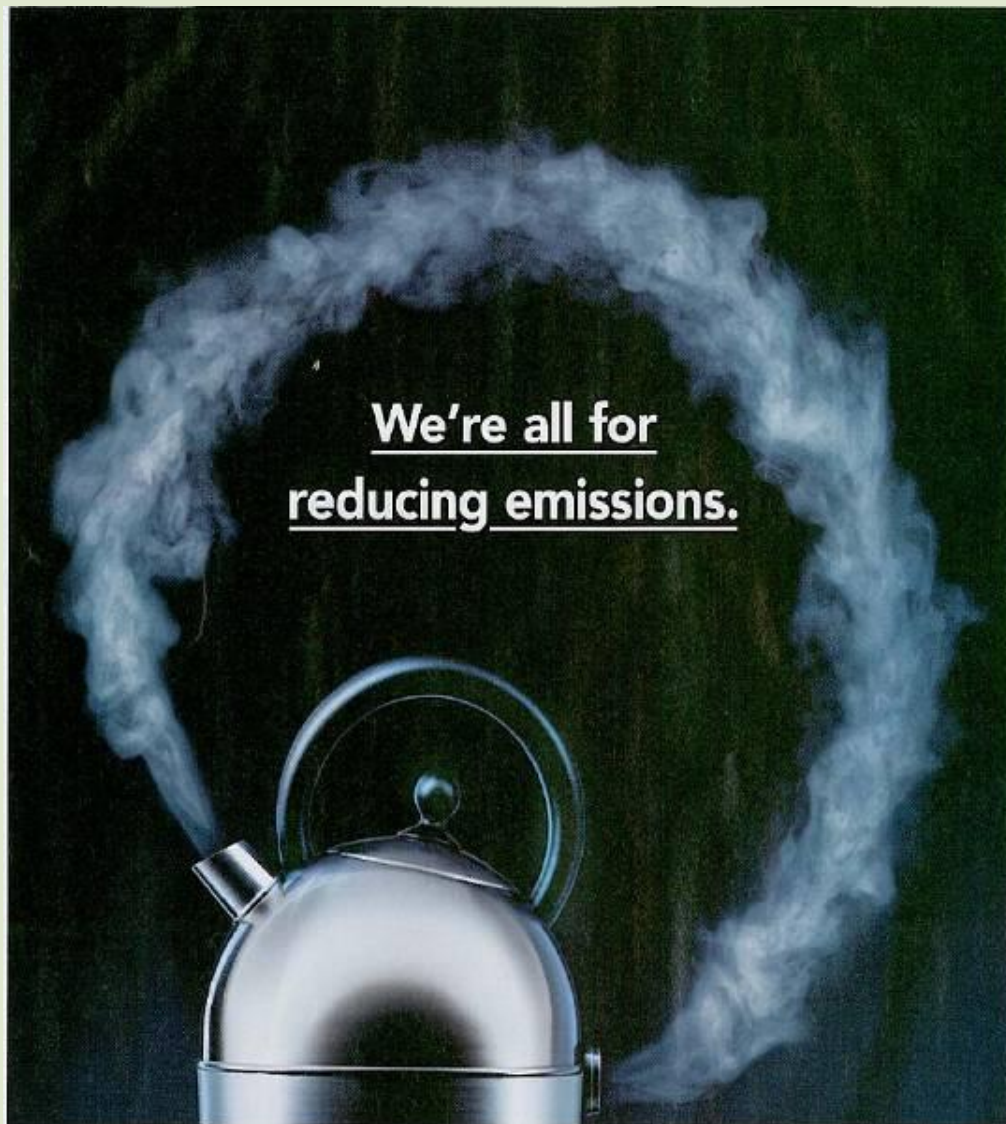
FINALLY, A VEHICLE THAT CAN
TAKE YOU TO THE VERY PLACES YOU'RE
HELPING TO PRESERVE.



Escape Hybrid



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We're all for
reducing emissions.

ExxonMobil refineries capture steam that would otherwise be wasted and use it in the refining process. Recent energy-saving initiatives like this have had a dramatic effect on emissions: the equivalent of taking well over a million cars off the road, every year. exxonmobil.com

ExxonMobil

Taking on the world's toughest energy challenges.



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Top Four Reasons Home Buyers Want to Buy a New Home

- ★ Better Floor Plans
- ★ Less Maintenance
- ★ New Home Warranty
- ★ Energy Efficiency

Sources: Genesis Homebuyer Survey 2006



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Will Homebuyers Do More Than Talk the Talk?

Energy Efficiency

- ★ ***64% of home buyers would pay more!***
- ★ ***75% of home shoppers want energy efficiency.***

Sources: Genesis Homebuyer Survey 2006

Premium Building Practices

- ★ **Resource Efficiency**
- ★ **Material Efficiency**
- ★ **Energy Efficiency**
- ★ **Indoor Air Quality**
- ★ **Comfort**
- ★ **Durability**



Benefits / Benefits / Benefits!

- ★ Its good for the earth
- ★ Reduces energy consumption, verified by 3rd party testing
- ★ Preserves and conserves natural resources
- ★ Reduces waste
- ★ Homeowner education and awareness
- ★ Healthier indoor environment
- ★ Enduring value
- ★ Your buyers will appreciate it
- ★ A more comfortable home



Benefits / Benefits / Benefits!

- ✱ Availability of and lower cost insurance
- ✱ A more durable home
- ✱ Lower HOA capital reserves
- ✱ Lower warranty costs
- ✱ Opportunities for PR and marketing
- ✱ Premium Pricing
- ✱ Happier Customers
- ✱ Brings us opportunities
- ✱ Strategic Differentiation



Our Market Today



Grand Opening!

Antelope Ridge at Crystal Valley Ranch

Brand New Models Now Open!

- Secluded hillside location
- 1/4 acre homesites available
- From the upper \$200s

**Free 3-Car
\$7500 design
center allowance**

**2% toward financing
& closing costs**

Free Microwave

**Zero Down &
Zero Closing Costs**

**Free
Landscaping**

*Like the idea of a new
Centex home but need to sell
your existing home?
Ask us about*



303-660-8981

FT. COLLINS

Lincoln Park
West from I-25 on a hillside, then south on Thompson
Homesite Collection - 4 homes from the upper \$100s
Full Collection Home - from the \$170s
(970) 282-9164

LOVELAND

**Blackburn Knolls
Adventure Collection**
US Hwy. 34, west to Wilson
south to 4th Street, then west - 6 homes from the
upper \$200s to mid \$200s
(970) 441-0494

**Blackburn Knolls
Adventure Collection**
6 homes from the mid \$200s
(970) 513-9164

LONGMONT

Spring Valley Tradition Collection
Hwy. 139 to Longmont, north
on Pace to 17th, then west
4 homes from the \$200s
(303) 485-2785

Spring Valley Tradition Collection
5 homes from the \$200s
(303) 478-7218

FREDERICK

Countryside Garden Collection
East on Hwy 52 from I-25, north on
Co. Rd. 73, west on Co. Rd. 18
3 homes from the \$180s
(303) 813-5101

Countryside Garden Collection
5 homes from the \$200s
(303) 813-1602

BRIGHTON

North Gate Adventure Collection
West on Boundary Lane from I-76, first right on
Harrison Rd., north left on 50th
5 homes from the \$170s
(720) 485-0000

North Gate Adventure Collection
5 homes from the \$200s
303-498-0678

THORNTON

Everett Park
Northeast corner of 128th and Hwy
5 homes from the low \$200s
(800) 442-3222

Ash Grove Farm
Southeast corner of 128th and Hwy
from the mid \$200s
(720) 672-1401

WESTMINSTER

West Creek Meadows
On the northwest corner of 115th and Swenden
5 homes from the \$200s
(303) 404-0180

WHEAT RIDGE

Garden Village
On Garden street just south of I-70
2 townhome designs from the \$170s
(303) 453-2343

CASTLE ROCK

Antelope Ridge
East 181 from I-25, east on Plum Creek Parkway
south on Wilcox, then east on Douglas Lane
5 homes from the \$200s
(303) 660-8981

Please, contact sales personnel and qualifications may change at anytime without prior notice. *Guaranteed Existing Home Buyout
available and applies to Plum Creek only. See sales representative for details. All rates are subject to change and are in
negotiation and is to be closed 30 days of acceptance. A \$10,000 earnest money deposit is required. Home price of \$200,000, low interest of 5.25% (30-year fixed) (30-year interest rate of 5.25% and 5.25% APR. Monthly rates. Actual
interest rates may vary. All rates are subject to change and are in negotiation. Buyer must close within 30 days of acceptance.



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Smokin' Deals

UP TO \$80,000[†] IN TOTAL VALUE
on your new [REDACTED] home!

Building homes for all the times of your life.

5.875%
FINANCING*
GOOD FOR
CLOSINGS
THROUGH
2021

FREE
REAR YARD
LANDSCAPING*
GOOD THROUGH
2021



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Telling The Story





If it makes you feel better,
you can spend your weekends
renovating a friend's house.

or just give your
friend a roll of duct tape. @

New homes in old neighborhoods.

lowry • stapleton • belmar • platt park

www.mcstain.com



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We're on a mission here.



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everything should be recycled.

Especially land.

At McStain Neighborhoods, we believe that the best and smartest kind of growth is regrowth. One use giving way to another.

And one of the best examples in the country is Stapleton.

We'd like to congratulate Forest City for their vision in transforming Denver's former international airport into a brand new neighborhood.

We're honored to be a part of it.



For more than 35 years, we have focused on creating neighborhoods of enduring value where people feel connected to each other and to the natural environment.

• 2002 Green Building Project of the Year Award from National Association of Home Builders Research Center

• 2001 Most Energy Efficient Homes of the Year Pollenium Award from U.S. Green Building and EPA ENERGY STAR Program

303.494.5900 www.mcstain.com



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McSTAINABILITY

LEADERSHIP FOR BUILDING
A BETTER WORLD

Volume IV, Number 4 • 4th Quarter, 2003

IN THIS ISSUE

**Low-Impact Development
Strategies for Improved
Stormwater Management
at High Plains Village**

**Earth News:
Recycling 101, Part II**

Ask Mr. McBill!!!



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THE STORY OF BRAZILIAN LYPTUS HARDWOOD

You will see in McStain's new Home Studio both cabinet and flooring samples made from an imported Brazilian hardwood lumber called Lyptus. We think that there's a really interesting story here to tell that will help explain why this particular wood product represents a unique example of sustainable forestry and responsible wood use.

To begin, the Eucalyptus tree, of which Lyptus is a natural hybrid, is an exotic species originally imported from Australia, and not native to the natural tropical or subtropical forests of South America. It was first introduced in Brazil in the 19th century and currently represents one of Brazil's primary commercial species grown on tree plantations. Indeed, the Southern

Hemisphere has emerged as a center of plantation forestry, in itself a growing phenomenon in wood fiber production all over the world. Given the tremendous surge in worldwide demand for wood products, over 40% between 1970 and 1990, tightening global timber supplies and rising concerns over the loss of natural forests, global forestry is in a tremendous state of transition, moving from a reliance on old-growth, natural forests, to resources based on both reforestation and the conversion of degraded lands into high-yield plantations.



Some of the most impressive plantation forestry is taking place in Brazil by companies like Aracruz, the manufacturer of Lyptus hardwood. Aracruz has shown that fast-growing, highly-productive plantation forests are an important way to meet society's need for wood and paper products. Eucalyptus has phenomenal growth rates, typically harvested between 15-18 years of age, when compared with species from natural forests. The high levels of productivity associated with plantation forestry result from the tremendous gains made over time in Brazilian silviculture. With higher yields from these tree plantations, the area impacted by forestry is smaller and more concentrated. This leaves more room for other kinds of forests and relieves pressure on more sensitive natural areas. Eucalyptus has also been established on lands that have been deforested.

in the past, thereby making degraded lands productive once more.

continued on inside



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**Buy a McStain home.
Get a year of wind-generated electricity
and a Vespa® Scooter.**

After 40 years of earth-friendly homebuilding, we're having an earth-friendly anniversary celebration. Every new McStain home purchased between now and September 30, 2006, comes with 12 months of free wind-generated power and a new Vespa LX 50 Scooter. It will make you feel good every time you turn on a light switch ... or scoot down the block.

DENVER
Lowry • Platt Park • Stapleton

LOVELAND
High Plains Village

LAFAYETTE
Hedgerow

LAKEWOOD
Belmar

**This is a limited offer.
Learn more at www.mcstain.com**



Prices, specifications and availability are subject to change without notice.
Vespa® is a registered trademark of Piaggio & C., S.p.A.



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What One McStain Home Does for the WORLD



15 trees are left in the forest.

8,000 square feet of construction waste don't go to the landfill.

1,200 lbs of newspaper get re-used in cellulose insulation.

4.7 tons of carbon dioxide (a greenhouse gas) don't get put into the atmosphere.

290 kilowatt hours of electricity don't get used.

750 therms of natural gas don't get burned.

\$750 gets saved on utility bills.

5,000 plastic pop bottles get re-used as carpet.

\$190 gets contributed to Colorado non-profit organizations working to support the environment.

*On average compared to the typical new home. Energy savings based on \$0.07/kWh and \$1.10/therm.



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Testimonials



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Testing

Performance testing
for air tightness -
the blower door



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Home Energy Rating Certificate



Home Energy Rating Certificate

McStainNeighborhoods
2509 Xanthia St
Denver, CO 80238



5 Stars Plus
Site Visit

Uniform Energy Rating System

1 Star	1 Star Plus	2 Stars	2 Stars Plus	3 Stars	3 Stars Plus
0-19	20-39	40-49	50-59	60-69	70-79

Energy Efficient

4 Stars	4 Stars Plus	5 Stars	5 Stars Plus
80-82	83-85	86-89	90-100

HERS Score: **91.2**

General Information

Conditioned Area: 2080 sq. ft. House Type: Townhouse, end unit
Conditioned Volume: 23271 cubic ft. Foundation: More than one type
Bedrooms: 3

Mechanical Systems Features

Water Heating: Conventional, Natural gas, 0.59 EF.
Heating: Fuel-fired air distribution, Natural gas, 92.1 AFUE.

Duct Leakage: Total: 0.00 CFM @ 50 Pascals.
Ventilation System: Supply Only: 91 cfm, 0.0 watts.
Programmable Thermostat: Heating: Yes Cooling: Yes

Building Shell Features

Ceiling Flat: R-38 Exposed Floor: NA
Vaulted Ceiling: R-30 Window Type: Low E, 35/35
Above Grade Walls: R-13, R-21 Infiltration:
Foundation Walls: R-11.0 Rate: Htg: 1520 Clg: 1520 CFM50
Slab: R-0.0 Edge, R-7.0 Under Method: Blower door test

Lights and Appliance Features

Interior Incandescent Fixtures: NA Clothes Dryer Fuel: Electric
Interior Energy Efficient Fixtures: NA Range/Oven Fuel: Electric
Exterior Incandescent Fixtures: NA Refrigerator Efficiency: NA
Exterior Energy Efficient Fixtures: NA

REM/Rate - Residential Energy Analysis and Rating Software v11.41

This information does not constitute any warranty of energy cost or savings.
© 1985-2004 Architectural Energy Corporation, Boulder, Colorado.

Rating Number: MNS1130 P#3755@Stapleton
Certified Energy Rater: Robby Schwarz
Date: 05/18/05
Rating Ordered For: McStain HomeBuyer

Estimated Annual Energy Cost

Use	MMBtu	Cost	Percent
Heating	35.0	\$354	37%
Cooling	0.0	\$0	0%
Hot Water	25.1	\$255	26%
Lights/Appliances		\$354	37%
Photovoltaics		\$0	0%
Service Charges		\$0	0%
Total		\$964	100%

**This home meets the minimum
criteria for all of the following:**

EPA Energy Star Home
2000 International Energy Conservation Code
2001 International Energy Conservation Code
2003 International Energy Conservation Code

HERS Provider
BuiltWright, Inc.
3222 Tejon Street, Unit D
Denver, Colorado, 80211
Phone: 303-477-1020
Fax: 303-477-1144
www.builtwrightinc.com



Certified Energy Rater



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Energy Efficiency

Single Family Home 2868 sq. ft.



Features	Annual Savings	Cost premium
Advanced framing 2"x6"	\$117	\$900
Windows w/ low emissivity argon-fill	\$175	\$400
92.1% direct vent furnace	\$145	\$900
Water heater –sealed combustion	\$31	\$400
Advanced insulation system	\$148	\$1600
Infiltration/advanced air sealing - (2.5 sq. in. /100 sq. ft.)	\$262	\$710
Sealed conditioned Crawl space	\$64	\$110
Engineered duct distribution system	\$112	\$920
☀ All ducted system, inside conditioned space		
☀ Set back digital thermostat		
Fireplace w/ Electronic ignition	\$72	\$0
Downsize furnace/AC	\$85	-\$750
Mechanical ventilation	-\$12	\$300
3rd Party verification and energy commissioning	\$0	\$580
Total	\$1199	\$6070

*compared to Model Energy Cod, HERS 89.7



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Indoor Air Quality, Natural Resource Conservation, Durability

Single Family Home 2868 sq. ft.

Features

~Cost Premium

Exterior drainage plane	\$275
Finger joint studs	\$0
Engineered lumber products	\$224
Cementitious siding material	\$0
Recycled content decking	\$10
Low VOC paint and finishes	\$550
Recycled PET carpet	\$290
Ductwork cleaning	\$300
Sealed combustion appliances incl. fireplace	\$200
Blown cellulose insulation	\$0
High performance bath fans	\$270
Sealed sump pit cover	\$60
Total	\$2179



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Does it work?

- ★ **McStain homes resell for an average of 4% to 11% more than homes of comparable age and size in the same market**

Source: The Genesis Group and the University of Colorado

- ★ **McStain homes sell for an average of \$10.00 per square foot more than their direct competitors in the seven county Denver Metro Area (the McStain Premium)** *Source: The Genesis Group*

- ★ **Customer Satisfaction 2006 – 99.2%**

Source: Woodland O'Brien & Associates

- ★ **Customer Referrals 2006 – 33%**

Source: Woodland O'Brien & Associates



McStain Neighborhoods

We're on a mission here.

**You can do right and do well at
the same time.**

Thank You.

Eric A. Wittenberg
President and CEO



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