NEWS RELEASE

Orange County Business Journal William Lyon Alums Launch Homebuilder By MARK MUELLER - 10/26/2009

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Three former executives at Newport Beach's William Lyon Homes Inc. have started their own company and have been tapped to build homes for a new Irvine Company project in Irvine.

The company, Tri Pointe Homes Inc., started operations a few months ago. It counts about a dozen employees and is based in Newport Beach a few blocks from John Wayne Airport.

Tri Pointe's three founders—who share the title of principal—are real estate veterans, primarily with William Lyon Homes Inc., one of the county's top homebuilders.

Doug Bauer was president and chief operating officer at William Lyon Homes and started the builder's mortgage unit. Bauer left William Lyon Homes in March.

His role at the company was taken over by William H. Lyon, the son of the company's namesake Chairman and Chief Executive Gen. William Lyon, as part of an ongoing succession.

Mike Grubbs most recently served as senior vice president and chief financial officer at William Lyon Homes. He left in April. Tom Mitchell was executive vice president at William Lyon Homes overseeing business development and operations. He also was regional president in charge of the builder's Southern California unit.

"We decided to take a different path," Bauer said. "We all saw the way the industry had gone through a lot in the last three and half years. Being somewhat of a contrarian, we thought now was a good time to grow as a new

company."

Unlike longtime homebuilders, Tri Pointe isn't weighed down by debt or land that's worth less than what it was acquired for. Other homebuilders are "still saddled with a tremendous amount of problems," Bauer said.

Tri Pointe is one of six companies tapped to build at an Irvine Co. development under the company's "executive builder" program. Irvine Co. plans to pay builders to put up houses in Irvine's Woodbury and Woodbury East neighborhoods. The master developer will retain ownership of the land and homes until they're sold to buyers.

The move is a switch for Irvine Co., which typically sells land to homebuilders that build to specifications laid out by the developer. Under the plan, homebuilders would be paid a percentage of a home's sales price for their work, believed to be in the range of 3% to 6%.

A plan to start Tri Pointe "quickly came together" in spring and was boosted by talks between the principals and Irvine Co. as the developer put its executive builder plan together, Mitchell said.

Irvine Co. "sees this as a model for the future, as a way of getting some homebuilding going again," Mitchell said. Homes going up in Woodbury and Woodbury East are set to start in the low $300,000s, while larger homes are expected to sell for closer to $900,000. In all, 685 homes are set to be built under the program.

Tri Pointe's planning to build about 95 homes in Woodbury under the Sonoma name. The homes, set to go up near Trabuco Road and Sand Canyon Avenue, will range from 2,350 square feet to 2,600 square feet, with three or four bedrooms and as many as three bathrooms.

Tri Pointe is building at the high end: The Sonoma homes are expected to be listed in the high $700,000s. Building is under way for the first Sonoma homes. Tri Pointe hopes to open a sales center by the end of the year.

Sales could start early next year. Other homebuilders in the program are Fairfax, Va.-based Brookfield Homes Corp., Los Angeles-based KB Home, Miami-based Lennar Corp. and Riverside's Van Daele Homes.

Besides Tri Pointe, there's one other startup builder: New Home Co., whose executive team includes Lawrence "Larry" Webb, the former chief executive of Irvine's John Laing Homes, as well as Joe Davis, who led Irvine Co.'s community development until retiring in 2007.

San Miguel Ranch

Tri Pointe also is readying to build in San Diego's San Miguel Ranch, where it's planning about 52 homes running as

large as 3,300 square feet. Homes there will start at around $500,000.

The company's goal is to build 1,000 homes in five years. It'll focus on Southern and Northern California. A Northern California office could open next year.

So far, most of the company's employees hail from William Lyon Homes, which has shrunk in size from about 800 people to around 200 employees in the past couple years, according to Bauer.