



Arizona Firm Wins Bidding for Bankrupt Trend Homes

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Judge George B. Nielsen Jr. of the U.S. Bankruptcy Court for the District of Arizona late Thursday approved the sale through auction for the home-building assets of Trend Homes.

Encountering no competitive bids, Najafi Cos., a Phoenix, Ariz.-based private investment firm, won the auction in a deal structure that included some initial cash and an assumption of debt.

Court documents outlining the nuances of the structure were not yet filed as of press time. But Trend Homes CEO Reed Porter told *Big Builder* that the original cash offer for \$65 million "morphed into a complex deal, mostly an assumption of terms, between the Najafis and secured creditors." He noted that most of the assets were encumbered by Franklin Bank and that the eventual acquisition cost will be near \$77 million.

According to the company's Web site, Najafi Cos. makes investments of up to \$2 billion across a variety of often distressed industries. The firm has operating investment arms that focus on consumer products and renewable energy. In addition, Najafi has current capital investments in residential real estate including West Wing Mountain, a 1,300-acre master plan development in the high Sonoran Desert of Phoenix, and Pinnacle Peak Place, a 124-acre gated community zoned for estate lots in Scottsdale.

The closing is scheduled to take place next week.

In January, Trend joined the growing ranks of home builders unable to pull out of the industry's steep nose dive and confirmed it was selling operations to Najafi Cos. At that time, the \$65 million deal for the assets of Trend and its affiliates was predicated on the agreement that the company reorganize under the protection of Chapter 11.

In March, Trend received approval for a proposed long-term cash collateral plan designed to support the company's continued operations during Chapter 11 reorganization. CEO Reed Porter had told Big Builder that all parties were working on an accelerated process and hoped to have a resolution by the end of May.

At the conclusion of yesterday's proceedings, Judge Nielsen was reported to have told all parties that he was "pleased with the progress, which has been tremendous."

"Bankruptcy is never really a win/win for everyone, but in this case, it's about as close as it gets," said Steve LaTerra of **Land Advisors Organization**. LaTerra advised both parties independently on their disparate objectives until the synergistic opportunity became clear last summer.

"We were working with Trend to find an effective way to recapitalize, and we were working with the Najafis to invest in home building," said LaTerra. "Now Trend is open for business and probably one of the best capitalized builders in our marketplace."

All employees will be transferred with the sale, including management. Porter will remain in the builder's top seat. "I think the Najafi organization will be firmly rooted in affordable housing until economic conditions make sense," said Porter of the company's future direction. "They want to focus on volume, and they want to grow. It won't be our permanent position, but our experience in this area had appeal to them."

Trend, originally known as Trendsetter Homes, was founded in Salt Lake City in 1966. In 1989, the company's founders moved the business to the Phoenix area. Run by the second generation of family, the company enjoyed robust growth and expanded into condo--through Classic Communities--and luxury product lines--through the Regency brand--in addition to its bread-and-butter value-oriented, single-family product. In 2005, the company also added some diversified focus on a move-up product line.

Trend reported gross revenues of \$303 million in 2006, up 6% from the \$286 million seen in 2005, continuing its steady trajectory that began in 2000.

"By the beginning of '07, we were projecting that we would reach around \$400 million in revenues," recalled Porter. "We were sitting on a record backlog. We had never made more sales in the history of the company than we did in the second half of '06. There were almost 1,000 homes in backlog, and those are the homes we started in the first quarter of '07."

But sales in Phoenix stalled out and inventory rose as cancellations turned into unplanned specs. Eventually cash flows were devastated, and the company ended the year with revenues of \$303 million and closed 1,093 homes--many at a loss.