

*Heatley-Moist's*  
**D/FW Land Advisory**

*We're Changing The Way Land Investments Are Made*

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*"Wouldn't It Be Nice To Make Money  
In Any Kind Of Market?"*

## **How To Find Great Buys Even When You're In A Hot Market**

*In November we will attend a seminar to update our perspective on the D/FW real estate market. But judging from the number of contracts we've put in the title company since January, we already have all the proof we need the D/FW Land Boom is here. In this letter, we'll show you this is only the beginning of a bigger than expected boom lasting several more years and, more importantly, what we're doing to turn the promises of the last 18 months into dollars... even after all the auction bargains are gone. In the meantime, if you've been sitting back because you're burned out, here's some harsh language we wish someone had used on the baseball industry before it cost us a World Series:*

*"Stop your crying and get back in the batter's box!"*

From:  
Las Colinas, Texas  
Friday, 3:29 pm  
October 28, 1994

Dear Venturer and Subscriber,

If this letter was a report card, we'd be laughing and dancing all the way home.

As many of you now know from the recent flurry of offers we've been sending you for approval, our fortunes have changed. Partly because the market has changed. But more so because we have changed. Few realize how much. I'm talking about changes in brokers... bankers... products... marketing... financing... staff... even the look of this advisory. Actually, there have been so many of these changes launched just since the first of the year, this issue is...

### **Nine Months Late!**

In a minute, I will reveal what is without question, the most profitable change we have made of our entire history, but first, it may help to know more precisely what engaged us to the degree that three issues of this advisory

(and even our January seminar) were given a back seat. However, for some who are vexed by letters longer than what could fit on a bumper sticker, here's a condensed "nine-month report card" to keep you in the fast lane:

1. **17 Resale Offers Received**
2. **6 Of These Went To Contract**
3. **3 Of These Now Pending & Scheduled To Close**
4. **5 New Properties Acquired**
5. **2 Notes Restructured**
6. **1 Lawsuit Quashed**

If you would like to skip the specifics, go to page 5 now. However, it seemed for most of our venturers, a detailed review would be appropriate, especially since most of what we're talking about is ...

### **Turning Your Dirt Into Paydirt!!**

Check these out...

(Listed descending by date, all prices per square foot.)

- **Lewisville/Oakbend.** 10/28/94 -- A new offer is now being negotiated. Details will be available if this contract goes to the title company. (This makes the 6th offer on this property, so I guess we'll keep on doing this 'til we get it right.) Colonial Equities previously contracts for \$1.14, and schedules to close 10/15/94 at American Title Company. They fail to close, however, and the escrow of \$17,500 is to be awarded to the joint venture.
- **Restaurant Row/LBJ Freeway.** 10/27/94 -- Offer from user now being negotiated. Details will be available if contract goes to title company.
- **LBJ Freeway/Plano Road (Tract 1 & 2).** 10/26/94 -- Glenn Williams & Associates offers backup contract for \$2.65, now at Trinity Western Title Company, pending joint venture approval.
- **Lewisville/S.H. 121.** 10/14/94 -- Colonial Equities, contract on 1/2 acre parcel for \$4.00 scheduled to close at American Title Company. Buyer fails to close, escrow of \$1,500 to be paid to joint venture.
- **Richardson/Telecom Corridor III.** 10/6/94 -- Islamic Services Foundation, contract pending in Commonwealth Land Title Company for \$1.70, scheduled to close 1/17/95. (Same buyer also contracted to buy this property for \$1.50 on 4/10/94.)
- **LBJ Freeway/Plano Road (Tract 2).** 8/15/94 -- Peter Baldwin, Trustee, contract of \$2.65 approved by the joint venture is now in Trinity Western Title Company, scheduled to close 11/22/94.

- **Dallas/Cockrell Hill I & II.** 7/31/94 -- Verbal offer from Ruth Fields for \$1.75 terms. Buyer withdraws.
- **Plano/F.M. 544.** 7/21/94 -- Joe Lyons Realtors (representing a plant nursery) offers 81 cents for the backmost four acres. Rejects our counter of \$1.10.
- **Richardson/Telecom Corridor.** 7/20/94 -- Spec warehouse builder Marc Myers offers \$2.25. Rejects our counter of \$3.50.
- **Lewisville/I-35E.** 6/30/94 -- Today Management, Inc. offers \$1.15 for a 15-acre portion for multifamily development. Countered at \$1.59. During negotiations, a backup contract submitted months earlier by Today Management on another property is accepted. Buyer withdraws.
- **Plano/F.M. 544.** 6/21/94 -- Islamic Services Foundation offers 75 cents. Rejects our counter of \$1.10 for a 10-acre portion. 8/5/94 -- same buyer offers \$1.00 terms for all 15 acres. Rejects our counter of \$1.30 terms. Buyer then makes new offer on Richardson/Telecom Corridor III (see 4th item on list).
- **LBJ Freeway/Plano Road (Tract 1).** 6/17/94 -- Texas Drug Warehouse offers \$1.97. Rejects our counter of \$2.25.

You gotta ask: Where is all this coming from? Clearly, part of it is a rising market. But upgrading our inventory over the last 22 months to improve our locations is just beginning to pay off... and... we're not done yet. Since the last issue, our venturers have anted up \$794,804 to buy...

- \*\* **Flower Mound/Town Center. 5.25 acres zoned retail on the south side of F.M. 1171 in Flower Mound. Closed 1/21/94.**
- \*\* Lewisville/Valley Ridge. 12.037 acres zoned light industrial (permits commercial and retail) on the northeast corner of Valley Ridge and Garden Ridge in Lewisville. Closed 1/31/94.
- \*\* **Lewisville/I-35E. 21.808 acres zoned general business on the southeast corner of College Parkway and Summit Avenue in Lewisville. Abuts Sam's and Walmart stores. Closed 4/11/94.**
- \*\* Richardson/Breckinridge. 16.715 acres zoned retail on the southwest corner of Renner Road and Murphy Road in Richardson. Closed 8/19/94.
- \*\* **Restaurant Row/LBJ Freeway. 6.6703 acres zoned general retail on the northwest corner of Towne Crossing Boulevard and Driftwood Drive in Mesquite. Scheduled to close 11/3/94.**

But the list doesn't end there. Here are some falling boulders that also pushed back the delivery date of this advisory. Buckle up, though, because "challenge" isn't enough of a word to describe some of these:

☛ **Ex-Noteholder Files Suit... For Back Taxes!** Should qualify for the Texas Monthly Bum Steer Of The Year Award. After making \$1.2 million in payments, venturers of Richardson/Brand and Garland/Blackburn decide against making payment upon determining the debt to be four times market value. But it wasn't until seven months after the payment was withheld that the noteholder finally forecloses the property. The noteholder then sues the trustee (that's us) for \$13,784 in back taxes, despite the joint venture was by then defunct, and even had non-recourse financing on the original note. The suit is eventually terminated by the noteholder, but only after we threaten to sue both the noteholder... and his attorney. By then, our tab had reached five and a half months of aggravation and thousands of dollars in legal fees. (Lord, love a duck!.. we wondered. What could ever top this? Check out this next one...)

☛ **Ex-Noteholder Threatens Suit... For Commissions!** Tighten your straps for this. One of the first properties we turned back was Belt Line/Cannady Road in Cedar Hill. After receiving our written proposal to restructure this note, the incensed noteholder fires back a letter threatening to sue trustee (us again) for the commission paid on the original purchase. Through several conversations and letters (a "character building" experience we could have done without), we finally convince him we were not the architects of this market decline.

We learn several months later this noteholder resigned his position as trustee. By then, we're thinking.. "Now maybe we can handle a dose of live scorpions with our breakfast cereal." But... that was before the RTC experience. Read on...

☛ **Stall By RTC Delays 4 Note Settlements... Over A Year!** This has been like yelling into a cave. We'd like to fix it... just give us an answer! The four properties still in limbo are: S.H. 78/Wylie (I, II and III), and Grapevine/DFW 6.

☛ **Note Purchase From FDIC Slashes Debt By... \$300,493!** After two and a half years of stonewalling our attempts to negotiate new terms on the Grand Prairie/South note, the FDIC announces they will sell the note to the highest bidder on the courthouse steps September 6th. That was us... for \$53,500 (25 cents/foot). Previously our debt was \$353,993 (\$1.64/foot). Now... it's zero.

☛ **Note Restructure Slashes Break-Even Point... By Half!** For the Richardson/Telecom Corridor joint venture, we negotiate a 20-year interest only note down to a 10-year principal and interest note. This trims the debt by \$84,195, and the break-even at the end of the

note drops from \$7.96 to \$3.92 a foot. (Ain't it nice having a noteholder whose temperament doesn't resemble Muammar Qaddafi?)

- ☛ **Prepaying Road Assessment Saves Group... \$32,359!** By convincing the Richardson/Breckinridge joint venture to pay a road improvement assessment early, we whittle the original bill of \$87,087 down to \$54,728. And since we also got the seller to pay \$20,000 of this assessment, the final bill comes out to only \$34,728.

From a business point of view, some may say these were mere bumps in the road. But I have to tell you, if the rubber had careened any higher off the road on this ride, we could be...

### **Wearing Body Braces!**

Even with the success we're beginning to have, it seems I still get an occasional question that usually sounds like this:

*Mike, I know that you've had success repositioning your venturers to turn things around... that's really great. But for the most part, it seems to me bottom fishing is gone now. Maybe you could buy those a year ago... but hey, that was back when land was in the toilet. New properties with the same performance potential... they just aren't out there anymore. Don't you agree?*

Yes, I couldn't agree more. The deals we are finding now will not perform at those same levels...

### **They Should Do Better!**

I get mad (really mad) with those high-minded guru types who confidently claim you can't be a successful seller and a successful buyer in the same market at the same time. This is theoretical, academic, psychobabble rhetoric. While their textbook says it can't be done, we're writing our own that says it can, because...

### **We're Doing It Right Now!!**

Hark unto me: If you're not picking up profitable bargains after auctions have vanished, rearrange your business so that you can. Even though the ordeal of pulling our venturers out of a \$30-million sinkhole stretched their strings to the limit (really beyond), it wasn't without a silver lining: We have made... QUANTUM LEAPS... in gaining the competitive edge over other buyers by building a broker network so strong...

### **Home Runs Will Become A Habit!!**

Let me explain: It all began 18 months ago when I wrote an advisory "How to Always Get First Pick at the Best Buys in Town." It described in some detail an organized campaign we were launching to get land brokers to come to us... first... with the best finds in town.

But with auctions gradually being replaced by a rising market, we realized that more of a "long term marketing wrinkle" would be needed if we expected to continue picking off bargains ahead of our competitors. Looking back, we see this decision as... the... turning point of our real estate career.

Since then, we have had four broker mailings. Now they're averaging about one each quarter. With each mailing, we continued to fine tune our list to target only... land specialists. Now this list numbers 126 names, and... is still growing.

Well, just the other day, I found out through the grapevine our packages made such an impression, it seems almost overnight they've become the talk of the North Texas Land Council. This is an exclusive organization made up of (and limited to) 50 top flight brokers who specialize in raw land. You know what else? Not long after these packages began to circulate, we began to get calls from brokers who weren't on our list, asking...

**"Where's Mine...  
Don't I Get One Too?"**

I won't describe this package for you here, but if you're interested in how we pulled this off, call Metro (214) 913-0485 and I'll send you one right away. In fact, we were so excited about the results, we recently sent this package to a small group of our venturers. The reaction varied, but the one I remember most was ...

**"No Wonder You're  
Ahead Of The Pack!"**

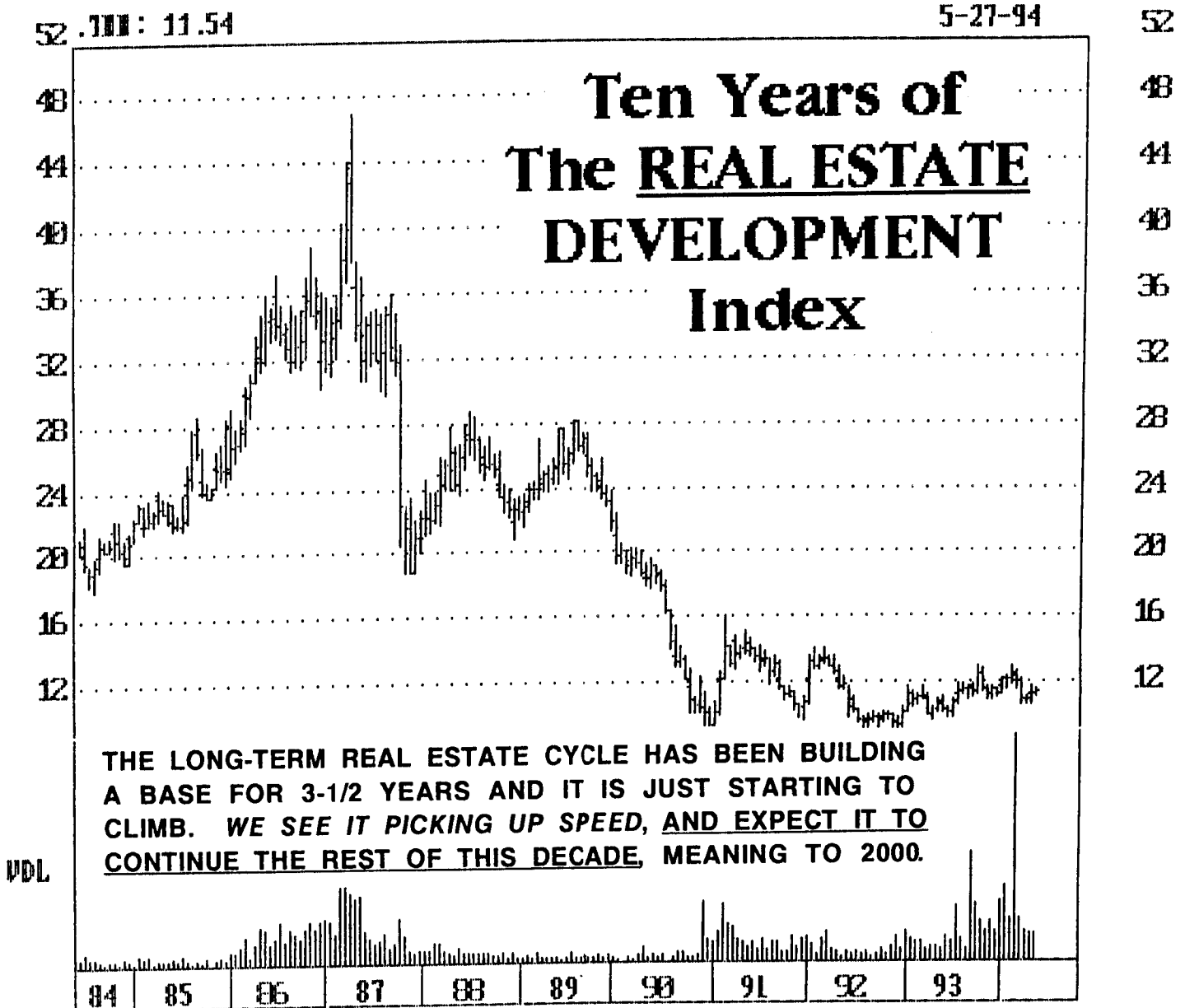
Which reminded me of some business graffiti I once saw in an office: "If you ain't the lead dog, the scenery never changes." (Overused... yes. But.. how true.)

Let's mush on.

If you've been sitting in resignation because you've flat lost track of where the market is, or took such a hosing on the way down, you're too bummed to start over, hear this: Stop beating yourself up! The big money-making in land investment is still in its infancy, so even if you are leaving a little late...

**You Can Still  
Catch The Bus!**

To show you what I am talking about, here is a graph (permission of The National Real Estate Letter) I want you to... download into your brain... before another single opportunity passes you by, and especially while this resurgence in land prices is making it so much easier to scoop up big profits:



My fingers have started to numb, my voice mail box is bulging from unanswered messages, so it's time I wrapped this puppy up.

You know, I still shake my head in amusement when I think about the contrast in our business between now and just 22 months ago. If you remember, we had an emergency meeting to diagnose the damage to our holdings. Back then, the mentality of the market was so wacky, I once wondered what would happen if we were to flat out... give... one of our

properties away. With our track record, we probably would have gotten it back...

**With A Demand  
For Back Taxes!**

But now that we're really cooking, I wouldn't trade places with anyone. We truly are blessed to be among the few mortals surviving the horrendous backdrafts of government wholesale dumping. It damn near fried us, but I'm glad we stayed in the kitchen. I have close friends in this business who've been at it a heck of a lot longer than I have, who sank and never resurfaced. So now when someone asks "How's business?", my answer is...

**Some Days You Da Windshield  
And Some Days You Da Bug!**

After almost two years of being the bug, ask me if I ain't likin' it being the windshield!

Sincerely,



Mike Heatley

P.S. If you missed Restaurant Row/LBJ Freeway, please understand: We turned down new business just so we could accommodate our regular venturers. Besides, normally I get to talk to a good number of my venturers about an offering before it sells out, because it's important to know what's on their mind. This time I never really got the chance because...

**It Sold Out  
In 27 Hours!**

As I reported earlier, we already have an offer in for this same property. We don't know what will come of it, but it could turn out to be our first property... ever... to resell...

**Even Before  
We Owned It!**

P.S. #2 Our fingers are crossed... we won't know for a few days, but... if we do pull this off, it may be the most unique land venture we've ever assembled. How so? Because it's in Southlake, it's one acre, and takes so little to buy, we're paying cash. The downside is... it's too small for more than 10 venturers. That's all I can say for now, except that you can avoid disappointment by calling now to get on our advance reservation list.