

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

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

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*"How in the world do you pop a quick sale  
when starting up to your neck in quicksand?"*

## **From The Pits To A Payday In Seven Months**

*Suffering from debilitating debt, nearly two years of failed negotiations with the RTC and an investor drop out of 70%, it was all over but the singing for this joint venture. But just before the fat lady stood, a near-miracle in June of last year changed the game. For these venturers, the only singing now is on the way to the bank.*

From:  
Las Colinas, Texas  
Monday, 5:05 pm  
March 25, 1996

Dear Venturer and Subscriber:

It was the one question I dreaded most.

It came a few months back when I was on the phone with a prospect who was considering taking a one-third interest in an investment we were doing in the Fossil Creek area of North Tarrant County. He was a newcomer introduced to me by a client of mine who has invested enough money with me over the years to bankroll a presidential campaign.

Anyway, this prospect was to be the last of only three partners we were putting in this venture and, he really liked the package. I could tell he was ready. That mentally, he had already written his check.

Then the "gotcha bomb": "Tell me about your track record over the past couple of years." Can you imagine? I mean really. Just how narrow-minded can a person get? All I asked for was 150,000 bucks.

I wanted to cry.

Because of course, there wasn't one.

At least, not much of one when narrowed down to the last "couple" of years. Thing is, my little company was just another ravaged refugee of The Most Horrific Holocaust Ever To Beset Dallas Real Estate. So horrific, many portfolios previously deemed bulletproof were rendered nearly destitute. And... quite literally... overnight.

Layered atop that (and unknown to me at the time I bought it) 39 of this company's 47 partnerships were already buried under the rubble. Me? I was still staggering like a badly beaten boxer long after the ref has called the fight,

feeling damn lucky to have managed enough resales since the debacle to hang on to what little of my sorry ass reputation was left.

God, it was awful.

Anyway, back to the prospect at the other end of the line. No casual summons this. This is a 24-karat subpoena. I flog my brain for anything that resembles an answer.

Finally, it comes.

I explain that even though the track record I own at the moment is undergoing reconstructive surgery, what I can offer is the next best thing and, something of which I am extremely proud:

**I'm Still  
In Business!**

And, with most of my original customers.

Who, by the way, are now investing with me multiples of what they were before the nightmarish descent of this industry began.

Really.

Now. Is there some particle of information trapped in all this that could be of some use to you in the future?

Boy, is there ever.

Look: This letter is not a brag sheet about a property we just sold. Or a new twist for making money in land, or where the latest play is. No, this letter is about making something out of nothing. About making something better out of what you've already got. And, it is truly going to open your eyes about how doing so has transformed our business model into one that will keep our clients in the money from now until...

**The End Of Their  
Natural Born Lives!**

Let's go faster. Here's a curious little story about one of our venture properties on Hughes Road in Grapevine. This was one monster of a problem and, at the same time, one giant of an opportunity. Like the father and his boy who walk into a room full of horse manure. The father is appalled, but the boy is grinning ear-to-ear. "Why are you smiling?" asks the father. The boy answers...

**"Cause There's Gotta Be  
A Pony Around Here Somewhere!"**

Identical situation. Two totally opposing views.

Enough. Here's how it went down, but hold on to your hat and tighten your grip Buckwheat. This is one bull that doesn't quit bucking 'til its knees turn to dust:

**Round One.** By September '93, The Government Giveaway is in maximum overdrive. Real estate prices are plunging to lows previously unheard of in the free world. We order an appraisal for a Bomb Damage Assessment of this property.

A key indicator of wellness is debt-to-value ratio. For example, a two-to-one spread (meaning it's worth twice what is owed on it) is considered good. Four-to-one is healthy as a horse. This appraisal comes back four-to-one, only...

**In Reverse!**

"Upside down" in realtor speak. Meaning the debt on this property is four times its current market value.

Frantically, we fire a four-page letter to our noteholder (whom we owe \$555,390) asking to renegotiate the debt. This includes a spreadsheet highlighting the degree of the dilemma. Since we haven't made our payment, surely we'll get a quick reply, right? It comes certified mail...

**Ten Weeks Later...  
With An Answer Of "No"!**

Seems our noteholder (we later learn) has pledged the note as collateral to a savings and loan institution, which is now insolvent.

Isn't that nice? It truly cheers our hearts to be put on hold two-and-a-half months by some nutburger who's second fiddle on the note to a property we've been faithfully making payments on for six years. Now, almost into December, we're no closer to picking up the scent of the real noteholder than we were in September.

None of this is any good.

Early December, however, a tiny break in the clouds: It's a letter claiming new ownership of the note by repossession... addressed to us by... you got it... the Resolution Trust Corporation (RTC).

Oh, goodie! Happy hula hoopskirts! Now we get to dance with those folks you and I have been paying dearly to hawk land at government auctions, which of course, is what...

**Put Us In This Hell Hole  
To Begin With!**

**Round Two.** Negotiations with the RTC begin on a congenial note: (1) make the payment in thirty days or (2) give up the property.

Somehow, neither of these look tasty, so we offer to buy the note outright (in effect, paying cash for the property). We ask for a price and, they promise to respond promptly. So far, so good. It's still December. The response also comes in December, only..

**It's December  
Of The Next Year!**

But, hey! At least it's encouraging: We're close to a deal... expect something early January, they say. To our astonishment, this turns out not to be a lie. January 2nd we get a letter from Land Fund... a private asset management company... in Austin... who has become...

**The Next New Owner  
Of Our Note!!**

The same note we've been negotiating in good faith to buy from the RTC for the past 12 months.

Say again, please?

**Round Three.** The Land Fund letter is even less cordial than previous letters. Now it's pay up in 10 days or give up the property. We cut to the chase and offer to buy the note at 40 cents a foot. Instead of a counter, we get a flat rejection.

Determined, we press for a price. Eventually, they agree to 68 cents, which we argue is highway robbery. In reality, however, this price is a screaming buy. Numbers like this you don't see except at auctions.

Gleefully (at least privately, anyway), we accept.

**Round Four.** Exhilarated over our windfall, we go back to our venture group with the good news: Now we'll be out of debt and, with no more new money than we're putting in, we can sell out at single family prices (even though it's zoned commercial and worth much more) and nearly double our money. Seems everyone is all for it.

At least until it's time for the money, that is.

Roughly 30% stay to play, which is \$120,000 short of the \$180,000 needed. Several more weeks are spent wrangling with the 30% who are survivors to make up the shortfall, which ends in one venturer tossing in an extra \$2,500.

### **Twenty-Five Hundred Bucks?**

Can this really be? Say it ain't so.

**Round Five.** Back to the Land Fund to plead poverty:

*Here's the deal: \$62,500 is all we have and, all we're going to have. Besides, no more interest than we've been getting off our property sign, you're lucky to get that. Be smart, take the money and let's close today.*

It doesn't work.

**Round Six.** Two weeks left... \$117,500 to go... and now we're face to face with the majority partner of our venture group. No one else has as much to lose, plus if anyone, he has the financial muscle to pull this out. Turns out he does, and a few days later proposes a loan to the partnership. At long last it looks like the calvary has arrived... except... there's one teensy weensy wrinkle: If by some outside chance we happen not to have sold enough of the property to pay off the loan in one year...

### **He Gets Possession Of Our Property!**

Damn, it's a cold world we live in, ain't it?

**Round Seven.** Now it's May '95 and down to mission critical. We have two options (actually three including prayer): Find new partners to fill the gap or, lose the property. Even with a flawless performance, it takes four weeks to form a new partnership. We have four days.

With lightning speed a package is assembled and expressed to a dozen of our clients, briefly outlining our exit plan for reselling the property. These clients, by the way, have never heard of this property and, we give them 48 hours to get their money in. Now comes the point where everything gets totally out of hand. For some inexplicable reason...

### **They Do Exactly What We Ask Them To Do!!**

It's truly a sad day when you can't trust your own clients, isn't it?

**Round Eight.** A real kick in the head, this one. Within weeks of reclaiming our property, a single family developer submits a contract to buy our property. This contract, however, has one of the most absolutely asinine provisions I've ever seen, and which I hope I am better prepared for should it happen again:

### **He's Going To Pay Us Our Full Asking Price!**

We jump for joy.

Two months later this contract drops when the developer can't get permission for a sewer easement from the adjoining property owners.

Such is life. Shudda known.

**Round Nine.** Have you ever heard of a computer "clean room"? I thought it was a "car wash" for PCs. But what it is, is a highly specialized room built to protect large computer installations from just about anything imaginable that can cause glitches. They are very expensive and, very much in demand.

And, it's a good thing they are, too.

And, it's also a good thing that the people who build these happen to like Grapevine, and that they also are so backlogged on orders, they are in a panic for larger facilities. Why is all this so good? So glad you asked. Because by the end of this year, the six acres on Hughes Road we have sustained for nine years will be sitting squarely underneath this company's ...

### **New National Headquarters!**

Hot dang! Bring in the dancing bears. Life is good again.

Have I said everything?

Almost.

Remember the room full of manure? Good. When it comes to the truly mysterious vagaries of human nature, I present herewith a classic for your consideration:

In nine years ownership, the original partners plowed into this property a bundle of cash. No one could possibly have had more incentive for pulling this from the fire. As if that weren't enough, there was also the growing number of leads working that, by all rights, should've gotten these venturers out in 12 months at nearly double their new money. An item which could not have escaped their notice since...

### **We Beat Them Unmercifully Over The Heads With It!**

Whatever. It didn't work out. They wouldn't budge. Instead, with totally new "outsiders", we were able to accomplish in four days what we couldn't with our "insiders" in four months.

Same investment. Different points of view.

But you know what? Maybe it's good the "insiders" didn't buy our sales pitch. True to form, the sales projections were way off target anyway. Had we hit right on, in 12 months we would have gotten \$326,700, almost doubling our money. Instead, as it turned out, we...

### **Closed Five Months Sooner And Did \$201,841 Better!**

There now. How dare anyone say there's no such thing as something that works too good?

Man, oh man. That was a helluva ride, wasn't it? Glad it's over? I sure am. Someone once said it's the trials that make the victory so sweet, but I'm not buying it. From here on I'd just as soon have my victories come a little easier.

Onward. Time to deliver the goods promised at the first of this letter, namely: What can be learned from this which is of practical value to you? Assuming you don't take pleasure in principal erosion, partner defaults, debilitating debt or the financial trauma of market downturns, a lot actually. I henceforth offer up to your scrutiny these 10 rules:

**#1. Stop Looking For That Pot Of Gold Under The Rainbow. The Truly Golden Opportunities Come From Embracing The Nastiest Of Problems.**

Three-and-a-quarter years ago I packed as many venturers as I could into a conference hall, told them my kitchen was on fire, to relax, read the paper and sit tight 'til I got back to them. "By the way" I asked, "now that we're all here, any ideas?" When the fuzz hits the fan, boys and girls, it gets down to this: you can get busy snacking on your nails or, get busy looking for the pony.

**#2. Never Give Up On Anyone Who Hasn't Given Up On You.**

Were you one of the 25 venturers who jumped ship on Grapevine/DFW 6? You were? I just wanted say how relieved I am you made it safely to shore and, that I forgive you. Friends again? I sure hope so, because I have a favor to ask should we ever again encounter such dire circumstances. For the safety and mental well being of all concerned, please... next time...

**Wait 'Til I Get The Damn Life Boats Lowered!**

Welcome back on board (I think).

**#3. Relentlessly Reject Status Quo.**

Brace yourself. This is one I attack with the frenzy of a rottweiler on speed: There is no such thing as a deal that can't be made better.

Or a relationship.

Or a life.

Or anything.

Look: Compared to putting a new deal together, restructuring an old deal is far more time consuming, many times more complicated and, it upsets damn near everyone. From the manager's chair alone, I'd have to say it's truly one of the...

**Most Thankless Tasks Known To Free Man!!**

So, why bother? Here's why: When it comes time to sell, the difference in profits can be absolutely astounding.

As was the case in Grapevine.

**#4. Whenever Possible, Pay Cash.**

An over leveraged property is one of the most effective sales prevention programs there is. Trust me on this. I know whereof I speak.

**#5. Being A Seller In A Boom Market Just Isn't Good Enough Anymore.**

It seems more and more often now, you'll come across a buyer whose contract

requirements are so irregular, it truly takes "thinking outside the box" to iron them out. So it was with the Grapevine sale. Was I ever glad, too. It was exactly the edge we needed to knock out the competition, and also squeeze out extra fungolas for our venturers' pockets.

So, is this saying that knowing your customer and your competition is just as important, maybe even more important than knowing your product?

Exactamundo.

Be a good seller. It sure as hell beats coming in second.

**#6. Want The Sweetest Deal In Town? Spend Your Money On Getting It First.**

Have you ever wondered why it is that only a privileged few individuals get to see the "slam dunk" deals before they're gone? By and large, it's because there are so many buyers out there who, in all their nobleness, still regard brokers as...

**Second Class Citizens!**

But not us. Come closer to the page. Listen up: We have, over the last 36 months or so, put an enormous amount of research into learning the secrets of getting brokers to include us in their "inner circle". I can't reveal those secrets here (maybe I'm insane, but I'm not stupid), but I can present evidence as to how spectacularly well they work: Over the last 98 days, we have (at last count) received mail from 77 brokers. Only this hasn't been mail of a solicitous nature. No. This mail is from brokers sending us...

**Honest-To-God American Greenbacks  
Just To Stay On Our Mailing List!**

Sorry, but when it comes to distinguishing my company from the competition to get the deals I want, I am forced to go straight for the jugular.

**#7. Stop Letting Market Swings Screw Up Your Judgement (And Your Nest Egg).**

I'm warning you. Do not make me come to the back of the class and have to grab you by the collar over this: Nothing in the world is ever as bad as it seems. Or, as good as it seems.

Got it? Good. My livelihood depends on that message getting through. If it doesn't, you'll continue buying high and selling low, which is only going to make both of us look bad.

**#8. Don't Expect To Get More If You're Not Willing To Do More.**

Here's something to keep your guard up for. There are still nutcakes on the loose who actually believe there are ways to get buyers to pay double or triple market price.

Like me.

Not amused? OK, then get this: In the next issue, I'll show you how one of our venturer groups had a \$2.50 a foot offer turn into a \$8.25 sale only five months later, and... from the same buyer. Who, by the way, is even more pleased with the arrangement than we are.

It's pretty remarkable.

This, of course, did not come easy. It took some doing. Several months of doing. And it was very much the same concept that increased our profits in Grapevine by... 137%.

**#9. Be Willing To  
Put Yourself Out Of Business.**

Remember the computer "clean room" people? "Clean rooms" are not their only business. Or, even their original business. Or, anything like their original business. They started out single family developers. Only now the two businesses have traded places. Sound far fetched? It shouldn't. Actually, it's quite common among successful entrepreneurs.

Consider this: Our business is hardly recognizable compared to what it was just five years ago. Now we're forming strategic alliances to "repackage" our business, so in years to come, it's going to be even less recognizable. So what business will we be in? It won't matter. What does is making sure that what happened to Apple Computers doesn't happen to us.

Think about it.

**#10. Keep Your Sense Of Humor.**

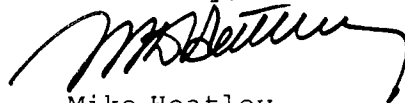
Hey, life is messy enough. May as well have a few laughs along the way.

OK, there you have it. End of epistle.

Which is just as well, since I'm about out of gas anyway. Besides, there is quite literally a briefcase full of new offers plus a couple of rescue missions I have to get back to.

Gotta go.

Sincerely,



Mike Heatley  
(A.K.A. "Reverend Relentless")

P.S. We are assembling a land investment right now that, once you find out more about it, is going to knock your joint venturing socks off. It fronts a freeway traveled by 93,000 cars a day, and backs up to a brand spanking new gated single family development which offers one amenity so unique, I doubt there's another like it in the whole Metroplex. Maybe even in Texas.

As if that isn't enough, this is a bank repo we're getting "government auction" cheap from an asset manager that took such a beating in Texas, he can't wait to see this state in his rearview mirror.

Want to know more? Here's exactly what you do. First, call...

**Metro 214-913-0485**

Then leave your name followed by the words "Repo Gold". If you would like to talk to me personally, you can also leave your number. Either way, what's most important is that you do this now. This is one opportunity you don't want to take a chance on missing.

P.S. #2 You think Grapevine is the sort of thing that happens only to others and never to you? Don't be silly. At this moment, we have two more in the title company, plus written offers on another four.