



Land Acquisition and Development

Our Land and Investment Program

This is an introduction to our program of purchasing large lot sub-division development properties and/or rural acreage and select urban parcels for development and finished product construction.

Iron Horse Associates will identify a potential property or project, complete a preliminary feasibility analysis and then solicit prospective investors and present information to them for possible participation and acquisition.

We will then work with the investors, bankers, planners, engineers, approving agencies and contractors to finance, design, construct, control, manage and sell each development project.

Iron Horse Associates will provide the experience and expertise to locate suitable properties and then act as managing partners within a larger ownership group of investors with equity participation.

Our goal is to selectively acquire properties and seek a much better than average return on the group's investment in these properties. This will be accomplished through highly selective analysis and a well devised exit strategy for each of the group's acquisitions.

On a case by case basis, Iron Horse Associates and the investor groups will determine if they wish to build finished product on any given property they may acquire, to sell the land at a certain stage in the

development process, or to sell finished lots. They will jointly consider the risks and rewards for each option and determine the best purchase and sales strategy for each individual property.

This discussion will take place during the feasibility study period of the land acquisition and monitored regularly during the process for any changes to the sales strategy that may be required as conditions warrant.

Acquisition considerations - rural lands

Prospective properties will be considered from two primary potential markets: rural properties in central Washington within one to two hours of Seattle; and suburban properties located in King, Pierce and Snohomish counties adjacent to the greater Puget Sound region.

The availability of suitable rural properties and the size and degree of potential development are a function of land availability and zoning, availability of utilities, and development and entitlement timelines which can vary by region or jurisdiction. These lands would be typically developed into lots from 1 to 20 acres or more in size depending on the market, buyer demand, zoning and other factors.

As an example, the rural lands located around Cle Elum or Ellensburg could be acquired in a raw state or possibly with some type of entitlement process



already having been initiated or completed on these lands.

The investment group would acquire these properties and develop a business plan for its ownership and sales strategy. This plan will determine the ultimate goals and objectives for the group's ownership of these lands. These lands and the acquisition strategy associated with each will be carefully scrutinized prior to the acquisition so as to maximize the group's investment and ownership.

The group's primary goal will be to maximize its return on investment through a well devised acquisition strategy for its properties as well as a thorough final delivery of the finished product. The ultimate development strategy and possible build out shall be determined on a project by project basis.

Whether developed into finished lots, built out with finished product complimenting the area (ie. log homes, timber frame product, etc.), or sold during some pre-development stage of ownership, the group will be mindful of the fact these properties are acquired for profit and not just to be simply 'acquiring another project'.

The rural lands located in the Puget Sound region which the group may consider acquiring will be outside the urban growth area yet within reasonable proximity to urbanized areas. These properties will subsequently be subdivided into larger parcels for sale to

sophisticated buyers who are seeking a special site for their estate or gentlemen's ranch.

The majority of prospective buyers are those who enjoy spending weekends and vacations away from the urban lifestyle, or those who simply want to own acreage in a pristine wilderness setting or recreational area yet remain close to the urban areas for shopping and work.

Minimum parcel size is controlled by zoning and regulation, while maximum parcel size is controlled by market demand. The minimum parcel size for a large lot subdivision is usually five to forty acres although in some areas smaller lots are allowed with certain clustering provisions and other restrictions depending on local zoning and development regulations.

The purchase of large acreage tracts, subdivision, development and sale of individual lot parcels or finished product or homes, will be completed in areas where there is a proven demand for property of this type and for projects that fit the combined criteria of location, timing, specific site targeting, and market absorption.

Puget Sound region lands

The urban and suburban properties located within an hour or two of Seattle will be acquired in a raw state or possibly with some type of entitlement in place. We are primarily seeking land in King, Pierce and Snohomish counties - areas which represent the greatest profit potential.

While there are certainly other geographic areas we might consider, we believe the area represents the greatest likelihood for maximum return on investment from development to build out of finished product. Therefore, they will be the focus of our efforts.

The geographic locations for any contemplated land acquisitions will be agreed upon first by the operating group before being proposed to the investment partner or partners for their consideration and acceptance.

Operational overview

There are several basic underlying considerations for seeking accelerated equity repayment and quick realization of profit potential in this diverse land acquisition and development program.

The first is timing. The correct timing of land acquisitions, subdivision approvals, seasonal construction and short term cyclical market demand dramatically expedites cash flow. The group intends to look at short term opportunities as well longer term opportunities of up to 4 to 5 years.

Another is regulatory approvals. In most jurisdictions Iron Horse Associates is confident that based on the acquisition methods employed, it's own historical working perspective from doing business in those counties or regions, and the type of property acquired will define the timeline with regard to the regulatory process.

A possible acquisition scenario would be that some properties are already entitled and other properties might be acquired without an entitlement, therefore requiring a different form of acquisition. This will be jointly decided by Iron Horse Associates and approved by the investment group.

The diverse experience of the operating group and the ability to sell what we produce are a key component in determining our exit strategy, allowing a seamless approach to acquisition and sales. The partners have a combination of 45 years of land acquisition and sales experience plus 25 years of experience building finished product of various types, amounting to an enormous skill advantage in the marketplace and in preparing a very well defined exit strategy to accompany the acquisition plan for each purchase.

Knowing up front these projects or properties have a great likelihood of being sold is a key element to the operating group's overall concept for its acquisitions and its ability to meet its goals and objectives.

The investment vehicle

It is anticipated that an LLC (limited liability corporation) agreement would be formed between the investment partner or partners and the operating group. A separate LLC vehicle would be created for each acquisition and development project. The LLC vehicle allows for a great degree of flexibility and taxation flow-through.

The organization of each LLC will define the roles of member shareholders to fit the requirements of each project. In broad terms, capital will be provided by the investor group and acquisition and development will be performed and completed by the operating group.

Each shareholder will have profit participation established by a predetermined formula. It is anticipated that a monthly fee would be charged for the management and processing/entitlement of the Groups projects or properties. It is contemplated that the Investor partner or partners will be compensated first for all funds advanced for the acquisition and a preferred return on those advanced funds will be paid. Once said advanced funds are repaid then an equal division of profits shall be distributed based on the specific terms of the LLC as agreed to by Iron Horse Associates and its investment partner or partners.

Operating group experience

As Managing Member, Jim Muhlbeier has over 25 years experience in the real estate and development industry as an Associate Broker for John L. Scott Real Estate, with a focus on land acquisition and sales. He is familiar with all aspects of land development from negotiating purchase and sale agreements, conducting feasibility analysis, creating development plans, and selling to the end user.

With nearly 30 years in sales and marketing, Vice President Matt Stapleton brings a wealth of real estate experience representing home builders and the sale of new homes, custom homes and land. Matt truly enjoys the process of finding the right home plan and building site for our clients and is passionate about timber frame and log home design. His goal is to provide integrity, quality and attention to detail to every project.
