



LAJITAS
Lajitas, Texas

OBSERVATIONS AND RECOMMENDATIONS
March 2001

Note to the reader ...

Lajitas is a 22,000 acre semi-private master planned golf ranch resort town and community that for phase one will have over 800 homes or home sites ranging in price from the \$100's - \$1mm's.

This was a start up project and a concept that had never been attempted before in the Texas market. The owner hired us to plan and execute how to position and development the project working with the infrastructure that was in place. We were responsible for setting up and managing the development team and implementing the development strategy to achieve start up, project introduction & sales momentum. Our Observations and Recommendations report helped us evaluate the current infrastructure and detail how we would go about creating the project and obtaining our goals. It also helped us communicate to the development team we assembled what would need to be done to make this unusual type project accepted in the market place regardless of the severe Texas badlands landscape and extreme remote location.

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SUMMARY OF CHARETTE AND COMMUNITY EVALUATION

Each of the following observations is ranked on a scale of 1 – 5, 1 being the lowest ranking and 5 being the highest ranking. In the summary of these 10 observations is the total score of status of the Project and positioning that allows you to evaluate effectively the magnitude of improvements or positioning that must be completed in order to bring the Project to the highest possible perceived value and absorption momentum in the market.

1. COMMUNITY LOCATION

RANKING: 4.0

Even though the Community is quite remote in reference to a metropolitan area, it is this remoteness that makes it desirable given we position it that way. It will be absolutely necessary to show to prospective buyers that the remoteness is a “good thing”. Otherwise the two-hour flight to the Community and the 20-minute drive from the new airport will not be thought of as a positive attribute. Buyers must be exposed to this attribute and fully understand how the remoteness plays into the Community’s unique once-in-a-lifetime purchase opportunity.

In addition to playing up the remoteness as a positive factor in the Community, we can offset the concerns about it by the much larger balancing factor of the proximity of Big Bend National Park, Big Bend State Park and the Rio Grande River bordering Mexico.

Being able to tell a buyer that there will never be another Lajitas, Texas will also help them understand the magnitude of the Community’s remoteness. Never again will there be a new home project that is bordered by such magnificence of Mother Nature that will remain this way throughout all time.

Putting these positioning concepts into absolutely beautiful sales collateral will be the true determining factor in bringing buyers to the point of a positive purchase decision when presenting the Project. We believe that it is absolutely imperative that the buyers are told about these factors long before they visit the property. Nothing is more effective than having a buyer not only anticipate what they are about to see but being pleasantly surprised that it is true to form as presented in the materials to them. “Under Promise” and “Over Deliver” is always a good motto in real estate development.

Recommendations

We believe that the Community should not only be presented in an upscale destination fashion but that remoteness and proximity to the magnificence of Mother Nature should be played up in all materials and communications. It is also our advice that the buyer is made well aware of these factors long before they actually step onto the property itself. Even though the Community’s location was a potential negative, it will truly be its ultimate positive if handled properly in the sales and marketing process.

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2. ENTRANCE & INITIAL PRESENTATION

RANKING: 3.0

As mentioned before, it will be best to play up the remoteness and rustic Wild West appeal again long before the buyer steps onto the property. However once the buyer reaches the Community, there must be a specific point of entry statement.

The one that exists now is obscure and does not reinforce the upscale positioning we will be introducing. Monuments or something should be created to reinforce the sense of arrival not only in the airport welcome center (which will act as a hospitality house), but also on the main drive into the Town or Community.

There should also be a thematic signage program throughout the Community, which we will address later in these observations. The Community should be a tidy and feel vibrant. Monuments would help set the tone for the different price point neighborhoods and the center of town itself. There should be a complete “punch out” of all the visible aspects in and around the Town, which is in fact the wedding dress or anchor of the Community.

As it stands today, even though the appearance of a rustic wild western town is effective, it seems neglected and messy. One of the most positive things that could happen is to leave the Town as simple and rustic as it is, but make it cleaner and more aesthetically pleasing while keeping the overall feeling of a Wild Wild West “Ranch” Town.

Recommendations

We would suggest that there be specific point of entry created not only at the airport but also on the main road to the Community. There needs to be a complete signage program reinforcing the Wild West look with colors that are more upscale with consistent use of the logo throughout the Project.

There also needs to be a “punch out” list of the Community and along all surrounding areas especially along the main roads so that buyers know that this Project is vital, alive, well-managed, and an upscale resort in it’s Wild West appeal. It would be a serious mistake not to have this happen since so many dollars are being spent to provide resort amenities reinforcing that the customer may enjoy the creature comforts of upscale living while experiencing the Wild Wild West.

3. STREETSCAPES, SIGNAGE & MONUMENTS

RANKING: 1.0

Unfortunately, even though Mother Nature has been extremely kind to the Project itself, the streetscapes are not as clean and as professionally presented as they could be.

There are very few permanent monuments built indicating the entrance to existing neighborhoods, the RV Park, or Golf Club etc... that live up to the upscale Wild West appeal the Projects lends itself to. The streetscapes are simply neglected and need as mentioned earlier cleaning up with specific attention to detail.

Recommendations

We would suggest that the overall permanent monuments of the amenities and attributes of the Community be tended to just like the signage we are suggesting. These monuments should have

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the same color pallet as the logo and create a look that reinforces the branding or positioning of the Project. It is obvious that there will be tremendous improvement in the overall presentation of the Project once this is completed. It is imperative this be done prior to the start up of any pre-opening sales program.

4. PRODUCT MIX

RANKING: 1.5

Even though there are existing homes within the Community that are reflective of the Western appeal, we do feel there needs to be a variety of product put into the ground that allows people to see the different lifestyles and purchase opportunities available. The misfits or social dropouts that are in Lajitas are a vital part of its hometown appeal but the affluent buyer wants fabulous western style homes and casitas to live in with all the creature comforts. Event though the local people add character to Lajitas and are very much a part of its style, there needs to be a stronger residential component that creates a sense of place and community for the new buyers.

As suggested in the attached Product Mix Grid, there needs to be specific attention paid to securing the right home plans that offer Western ranch style outdoor-living. The homes or shelter available today appear to be more on the blue-collar level with RV's and low costs housing choices. Lajitas seems to be a place where people not only hide out but also withdraw from society altogether.

It will be much easier to sell to the affluent market if a stronger sense of place is created. And that this place is one for the wealthy Texans who want a Western style ranch home set in a backdrop of the Big Bend Country.

Recommendations

It would be absolutely imperative that the product be designed, packaged, and ready to go for the upscale buyer in the price points discussed in the recent charette. These products should be land-planned into a complete master plan that is presented in the sales collateral sales displays and sales presentations in the on-site agents program. If there were only one product offered initially it would be most important to start with the high-end ranchettes first before moving into any of the lower priced products. These price points should be segmented by neighborhood with models for touring and streetscapes created. To travel this far for a tour – we better have the best darn tour possible.

5. AMENITY PACKAGE

RANKING: 3.0

On the following page is the list of amenities that are currently available in the Community. These amenities are what sets the Project apart from the many competitors offering Western Resort living and should be played up in all sales materials and marketing images presented. It would also be important that the amenity package be enhanced as needed so that the complete resort second home lifestyle is very evident in the overall Community's positioning.

i. Current Amenities: Environment and Location Attributes

- a. God's Country – Badlands
- b. Remoteness

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- c. Big Bend National and State Parks
 - d. Rio Grande River and Mexico
 - d. Weather – dry & arid
 - e. Virgin, environmentally clean land that lacks pollution
 - e. Vegetation (You are not in Palm Springs)
 - f. Texas Desert
 - g. Strong History Component
 - h. Animal Habitat
 - i. Local Culture / Flavor
 - j. Western Town
 - k. Incomparable Peace & Tranquility
 - l. Wide Open Spaces
 - m. Expansive Night Sky/Stars
- ii. Physical Improvements**
- a. 18 Hole Champion Golf Course / one hole in Mexico
 - b. World Class Spa and Health Institute (to be built)
 - c. Amphitheatre
 - d. Bird Sanctuary
 - e. Resort Infinity Fantasy Pool
 - f. Rafting and River Floating
 - g. Biking / Mountain
 - h. Horseback riding
 - i. Fossil Tours
 - j. Geological Tours
 - k. Star gazing
 - l. Flora & Fauna Tour
 - m. Historical Tour
 - n. National & state park tours
 - o. Hiking
 - p. Rock climbing
 - q. Shopping
 - r. Over the Border tours
 - s. Airstrip
 - t. Hotel and Room Accommodations
 - u. Equestrian Center
 - v. Picturesque drive tours
 - w. RV Park
 - x. Tent Camping
 - y. Tennis
 - z. Western edge of central time zone later play during the evening with extended daylight
 - aa. Security Services
 - bb. Meeting Facilities – Corporate Retreat

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- cc. Underground Utilities
- dd. Internet Connections
- ee. Complete Phone Services
- ff. Cable
- gg. Clean Water
- hh. Friendly Bilingual Residents (English/Spanish)
- ii. A Complete Operating Full Service Small Town
- jj. Grocery Store On Site
- kk. Restaurant and Saloon
- ll. Affordable Taxes
- mm. Medical Services within ___ miles
- nn. Schools within 15 miles
- oo. Community (Town) Newspaper
- pp. Full Service Bakery

It is vitally important that the amenities that are listed above be in some phase of completion or construction during the pre-sales program. However, there are certain amenities that need to be completed as well as enhancements to the overall project before prospective buyers are brought to the Community. There are very few amenities that need to be added to the Community if in fact all of the amenities now featured on the list are completed and available to new residents as soon as possible.

There may be a need for a complete excursion or concierge service that works with local vendors in packaging all of these trip and tours for residents and their guests. At this time the amenity package does seem to be complete as long as the soft programming is put into place to ensure that all of the amenity products can be fully utilized and are comfortably accessible.

Recommendations

We would recommend that the amenity package listed above be rendered and indicated in all the sales collateral and sales display materials as well as in the marketing campaign. There should be phasing or construction development timelines put into place for each amenity included in the program.

We also recommend that there be a complete discussion regarding the soft programming and management of the amenities so that there is no glitch or sticking point as to how these amenities will be utilized by residents and hospitality guests. It is important that we stay true to the fact that the Community is remote and that there is a complete secluded and exclusive lifestyle available in the Community. If there is not critical mass the Community will seem desolate and unwelcoming. It is important to play up to prospective buyers that the town itself is thriving and is operating as a complete town itself whether any further construction or development has been created within the Community.

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6. SALES COLLATERAL

RANKING: 1.0

Probably the weakest aspect of the marketing of the Community is the sales collateral. There are no specific materials beyond a web site and a small rack brochure that offers the presentation of lifestyle now currently available. We feel that is imperative that a comprehensive collateral package be created. The feeling of the current presentation of the Community is that it is a vacation resort and an RV middle class getaway. With the creation of new materials and a repositioning of the project we do feel that it could be quite effective in changing this perception by simple creating the right upscale and dramatic sales collateral.

Recommendations

It would be absolutely imperative that a complete sales collateral brochure package be created for the Community that shows just how spectacular Mother Nature has been to the Project as well as the attributes that are available to prospective new buyers. These materials would be created in concert with a complete marketing campaign as well as the sales displays or kiosks to be placed within the Community operations.

7. SALES GALLERY

RANKING: 1.0

Even though the information center located adjacent to the hotel lobby is available, there is no current sales gallery that presents the wonderful lifestyle of Lajitas, Texas at this time. We feel that it is very important that people be able to visit a complete Welcome and Information Center that also acts a Sales Gallery once the attributes are defined and under way.

It would be important the people receive very professional and hospitable service as well as a sales presentations that easily results on a close on living in the Community and the area as well as a complete tour of the product that will be built and available in home models in the very near future.

Recommendations

We feel that the first step in creating the Sales Gallery would be to design a building standing in the Town Center itself or on the main road system coming into the Community that says "Welcome and Information Sales Center" with the hours of operation and signage as well as parking directing prospective buyers or visitors to the Community into the Center. It will be in fact a true hub of activity once it is constructed and open for business.

In addition to the main Sales Gallery or Center there should be kiosks located in the golf pro shop, hotel lobby and the hospitality center at the permanent airstrip. This way, anyone that is new to the area will be able to visit with a person or pick up material about Lajitas, Texas.

It is very cost effective the design and create these materials in a one step process rather than piece meal the displays one at a time. Once the Sales Gallery has been completed there will be a training program that will instruct all hostesses and sales agents on how to utilize the Sales Gallery and how best to demonstrate not only the Lajitas lifestyle but the product as well. There may be a possibility

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of putting a smaller lifestyle display in a model featured in the Community or at the Spa Facility as well.

8. AD CAMPAIGN

RANKING: 1.5

Although there are materials promoting Lajitas, Texas in the market we do feel that they have positioned the Community as a middle class, RV vacation stop on the way to Big Bend or that Lajitas, Texas is a wild western town fully thriving with permanent staff and residents. We are glad that this image exists although it is very important that it be adjusted to fit the upscale residents that will be invited to purchase who will arrive to Lajitas by personal airplane or charter plane service.

Even though there are materials in the marketplace that represent the Lajitas, Texas town we do feel that those should be discontinued and all images replaced with the upscale branding ads that will be created for the new introduction of the Community.

The marketing strategy to be implemented will be a network program where a core group of prospective buyers will be invited to preview the Community prior to its opening and give us names of their friends and contact who would also be interested in purchasing property in the Community as well.

This way, we can have a Country Club atmosphere where families and friends know each other and would enjoy vacationing or owning a second home together just like most Country Club Resort Communities do in America today.

We feel that this imperative in creating a sense of community and capitalizing on the fact that Texans enjoy being a member of a club as well as having the exclusivity of a private Texan town-like resort for their personal use.

We are basically positioning the Project as an opportunity to own a piece of your own Texas town...Lajitas, Texas. It will also reinforce the fact that you can enjoy the Wild Wild West Cowboy experience with all the modern day creature comforts in your backyard.

We would like to introduce a specific palette of colors, textures and images for the campaign which will be carried out the media placements, direct mail, website, sales collateral materials and signage.

Recommendations

It would be important that we look at putting together a complete advertising budget for 12 to 24 months that would include the costs for the brochure, sales collateral, website, hyperlinks to website, direct mail placements, community development update newsletter, cocktail parties for the solicitation of buyers, specialty items created for welcome kits and for purchasers of the memberships or home products.

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The first aspect of the program would be to create the right branding ad to introduce the Community to the affluent market and purchase the right mailing lists that would give us access to the best and most qualified buyers for home or lot purchases in the Community.

We would look at collaborating with the golf, hospitality and resort programs so that any materials created all mirror and reinforce each other and are very cohesive under one umbrella theme of Lajitas.

9. MARKETING STRATEGY & POSITIONING

RANKING: 2.0

The current profile of the targeted market for Lajitas is much different than the market to be targeted for the new amenities and home products being designed. Therefore there will be a need for a transition out of the current buyer profile and into the new one as the branding or positioning of the community changes. Most communities that are looking to re-direct their market strategy especially if the change is drastic will close their operations and re-open with the new image and amenity package in place or well on its way to being completed.

The positioning for Lajitas today appears to be a small western town thriving as part of the destination traffic to the Big Bend National and State Parks. The town does not appear in any way to be tourist trap but rather a true operating small town offering the western hideout experience to middle and upper middle class travelers. There is very little emphasis on the purchase of real estate or having a resort experience - both of these to be the main focus in the new positioning.

We see Lajitas as a true western town with enough luxury and creature comforts for the affluent to enjoy as a second home choice. The hook could be a “never again location” where you really can live the Marlboro Man lifestyle but with all the amenities of a world-class spa and country club. The ultimate hideout and resort family get away.

Since there is very little marketing in place for Lajitas at this time, the idea of closing or limiting operations could be implemented quite effectively with minimum impact on the current operations. The best way to re-introduce a community into the market is for it to have its absolute best foot forward once the serious dollars start getting spent. You do not want to drive the best potential buyers to tour the community and then have them come away with a bad first impression. Our advice for amenities and improvement as per our discussions in the charette are listed below. These are the amenities that should be complete or nearly complete before we even start a pre-opening special promotion sales program.

1. Welcome & Information Center with Sales Gallery
2. Trained onsite sales team
3. Builder Program with Model Casitas & spec homes in residential area
4. Guests Casita rental units in residential area
5. Spa facility and Guests Casitas near spa
5. Permanent monument signage program

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7. Sales and Marketing signage program
8. Sales Collateral
9. Shuttle services
10. Golf course
11. Golf Lodge pro shop with parking and cart storage
12. Gourmet restaurant
13. Cantina and Saloon renovated and re-merchandised
14. Hotel Rooms or new hotel facility
15. Hotel lobby and information center re-decorated
16. Community clean up (punch out) list completed

Once the development team has chosen the branding and positioning of the community as well as the amenities or improvements to be made, there are three main questions that are then necessary to be answered in setting up the marketing strategy for any planned community.

1. Who is our targeted buyer profile?
2. How are we going to drive them to our community to buy?
3. Where are they located?

The targeted buyer profile for now as best we could determine in the charette is:

1. Entrepreneurs
2. Pilots or participants in fractional plane ownership
3. Adventure seekers / outdoorsman / horse owners
4. Married
5. Ages: 40 –60
6. College or higher educated
7. Pre-retirement
8. Household income \$300+
9. Own a second home and are country club members

Driving targeted buyers to the community can be accomplished several ways. One of the best ways is by word of mouth from fellow country club members, families or business colleagues.

The buzz to get these people talking must be created. Running ads or publicity promotions in local media, country club newsletters or trade publications in targeted cities does this.

Another great tactic for driving traffic is setting up a direct mail program to targeted households in targeted markets. The direct mail program instructs the buyer to log on to the web site and tour the property before they ever leave home. Then the direct mail acts as an invitation to a special event that could serve as a one

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time special offering. For example: One client invited targeted guests to test drive new sports cars at his local resort. Not only were the buyers impressed with the cars they were impressed with the resort.

Additional mailings in a direct mail program would include brochures, newsletters and post cards. The incentive or event created would be designed to appeal to the hot buttons of the buyer groups targeted.

Driving traffic to a remote resort location means finding buyers who fit the profile and would consider a flight to the community worth it or no big deal. This means targeting cities that are geographically desirable to the community. The first tier would be metropolitan cities in Texas.

Recommendations

For the re-positioning, all signage, collateral and image materials would be designed to reflect the new "look". Mailing lists would be obtained that would indicate the households that best fit the targeted profile. A complete ad campaign again indicating the new "look" would be designed for specific magazines or publications that reach the targeted buyer groups. These placements would start as soon as the improvements or amenities are complete or nearing completion and the resort is cleaned up with all the final touches. The direct mail would begin after the ad placements have started and the web site as well as sales collateral is printed and ready for distribution.

10. SALES TEAM

RANKING: 0.0

Since there is no specific sales program in the Community at this time there are not agents to be evaluated or observed.

Recommendations

It would be our recommendation to set up a complete onsite sales team. There is never a better opportunity to represent yourself than to have your own agents working for a Lajitas real estate entity that can effectively sell the lifestyle and home products of Lajitas.

We would also like to train these agents as well as all hospitality staff, golf staff and resort staff. It would be important that everyone on the team buy into the concept of how to sell the Lajitas, Texas town as well as the resort concept as well as the products or homes themselves. We would have a sales training program consisting of no less than four to six sessions (3 hours each) prior to beginning any of the pre-sales program for the Community.

11. DEVELOPMENT TEAM & OPERATIONS

RANKING: 0.0

Since there is no specific development team in place at this time there are no observations or evaluations to be made.

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Recommendations

We do feel that it is important that we look at a Chain of Command that is attached to document that gives you the overview of how best to set up a development team that can effectively handle all of the business of creating and operating a complete resort town Community. In addition to this chart we strongly encourage you to have a job description for each position written and then share each one with the team so that each member understands the group dynamics and who is responsible for what tasks and duties. Have each person write his or her job description then review it and change as necessary.

RANKING SUMMARY

	Lajitas, Texas	Perfect Score
1. Community Location	4.0	5.0
2. Entrance & Initial Presentation	3.0	5.0
3. Streetscape, Signage & Monuments	1.0	5.0
4. Product Mix	1.5	5.0
5. Amenity Package	3.0	5.0
6. Sales Collateral	1.0	5.0
7. Sales Gallery	1.0	5.0
8. Ad Campaign	1.5	5.0
9. Marketing Strategy & Positioning	2.0	5.0
10. Sales Team	0.0	5.0
11. Development Team & Operations	<u>0.0</u>	<u>5.0</u>
Total	18.0	55.0