Manager of Land Value Alpha Fund

Actual Case Study: Montana Mountain Development Project

July 14, 2025

Executive Summary

61.54% ROI | 30.77% Annualized Return | 24-Month Hold Period

This is an actual case study from a completed transaction made by the Managing Member of Land Value Alpha Fund, demonstrating the systematic approach to identifying undervalued land assets with significant value-creation potential through strategic improvements and repositioning.

Investment Thesis and Strategic Acquisition

In August 2023, following an extensive and methodical search process that began in April 2022, the Manager of the Land Value Alpha fund identified and secured a remarkable 148.5-acre parcel of premium mountain land strategically positioned southwest of Kalispell, Montana (20 minutes drive time), with the property extending to the border of Somers, Montana. This acquisition represents a masterclass in opportunistic real estate investment and value creation through strategic improvements.

Exceptional Property Characteristics

The property commands an extraordinary position at the summit of a mountain, reaching a peak elevation of approximately 5,192 feet above sea level. This elevated positioning provides breathtaking panoramic views spanning 180-200 degrees from two primary vantage points throughout the property. On clear days, the visibility extends an impressive 65 miles southward and 50 miles northward into the pristine wilderness of Glacier National Park, with equally spectacular eastward views completing the stunning vista experience.

The property's most significant competitive advantage lies in its unzoned status—an extraordinarily rare designation in proximity to Kalispell. This unzoned classification provides virtually unlimited development flexibility, permitting diverse use cases including hotel construction, multiple residential homesites, ranch operations, agricultural pursuits, or cemetery development. The unzoned designation eliminates typical regulatory constraints such as property line setbacks, construction limitations, building codes, and height restrictions, providing unprecedented development freedom. Furthermore, the property qualifies for agricultural tax credits, offering additional economic advantages to ownership.

Market Context and Risk Mitigation

Market Advantages Identified:

- **Scarcity Premium:** Unzoned land within 20 minutes of Kalispell represents less than 1% of available inventory based on comprehensive market analysis.
- **Growth Market:** Kalispell, Montana has been ranked as the fastest growing "micro-city" in the U.S. by the Daily Montanan citing U.S. Census Bureau data, showing nearly 25% growth since 2020, often placing it #1 in Montana and very high nationally for micropolitan areas due to out-of-state migration seeking quality of life and outdoor access.
- **Regulatory Arbitrage:** No setbacks, height restrictions, or use limitations vs. standard zoned properties.
- **Economic Drivers:** Glacier National Park (1 hour 10 minutes), two ski resorts—Whitefish Mountain (40 minutes) and Blacktail Mountain (1 hour)—Flathead Lake (15 minutes), the largest natural freshwater lake west of the Mississippi and year-round outdoor recreation across all four seasons drive sustained demand and Montana's population growth trend.
- **Tax Efficiency:** Property potentially qualifies for agricultural tax credits, wildlife subsidies or carbon credits and more (applications pending). Additionally, Montana forest land classification provides the lowest property tax category and rate in the state, minimizing ongoing carrying costs.

Risk Management Approach:

- 19-month due diligence period (August 2023 to February 2025) exceeded industry standards
- Multi-jurisdictional legal review (5 law firms involved)
- 100+ year title chain analysis
- 30+ physical property inspections via UTV and hiking
- Complete rights verification (water, mineral, surface)
- Contract extensions maintained original pricing

Financial Performance and Investment Returns

Metric	Amount	Performance
Purchase Price	$2,100,000	-
Infrastructure Investment	$500,000	-
Total Invested Capital	$2,600,000	-
Current Broker Opinion of Value	$4,200,000	-
Absolute Return	$1,600,000	**61.54% ROI**
Annualized Return	-	**30.77%**
Value Multiple	-	**1.62x**
Hold Period	24 months	-

Valuation Source: *Pure West Christie's International Real Estate. Methodology: Combination of comparable properties and development approach.*

Hold Period Note: *Measured from August 2023 when the purchase price was contractually secured, through July 2025. This conservative calculation method accounts for capital commitment from the date the pricing was locked.*

Carrying Costs (24-Month Hold Period)

Cost Category	Amount
Insurance	$1,000
Survey Costs	Included in purchase price
Property Taxes	Included in purchase price
Financing Costs	$0 through 24-month period
Total Carrying Costs	**$1,000**

Note: *Low property tax reflects Montana's forest land classification, which provides the lowest property tax category and rate in the state. Property taxes and survey costs were included in the $2.1M purchase price.*

Per-Unit Economics

Metric	Value
Cost per Acre at Acquisition	$14,000
Current Value per Acre	~$28,000
Value Appreciation per Acre	**$14,000 (100% increase)**

Benchmarking and Context

- **Land Development Industry Average:** 12-18% annualized returns
- **Montana Real Estate Market:** 8-12% annual appreciation
- **Private Equity Real Estate:** 15-20% target returns
- **Land Value Alpha Performance: 30.77% annualized return**

Value Creation Breakdown

- **Strategic Acquisition:** Identified rare unzoned asset with development potential
- **Negotiated Improvements:** Boundary adjustment and access acquisition
- **Infrastructure Development:** $500K investment created $1.1M+ in incremental value
- **Market Timing:** Captured Montana market appreciation during 24-month hold period

Investment Methodology Validation

This transaction exemplifies Land Value Alpha's systematic approach to land investment:

1. **Rigorous Due Diligence:** 19-month comprehensive analysis
2. **Strategic Value Engineering:** Pre and post-acquisition improvements
3. **Operational Excellence:** Professional infrastructure development
4. **Risk Management:** Multiple contingencies and legal protections
5. **Market Positioning:** Premium asset creation in high-demand market

Risk-Adjusted Performance: Superior returns achieved through disciplined process and strategic value creation rather than speculative appreciation.

Value Engineering and Strategic Improvements

Pre-Acquisition Value Creation

Boundary Line Adjustment: Negotiated acquisition of bisected eastern homesite, increasing usable acreage, increased view corridor and eliminating development constraints.

Access Control Acquisition: Purchased 1.5-acre access route, converting easement dependency into fee-simple ownership, enabling:

- Heavy equipment access for unlimited development
- Complete control over property ingress/egress
- Elimination of third-party access restrictions

Total Acreage After Acquisitions: 150 acres (148.5 original + 1.5 acres access route). *Note: Boundary line adjustment and access route acquisition costs were included in the $2.1M purchase price.*

Post-Acquisition Development Strategy

During the comprehensive due diligence process, the Manager identified a critical opportunity to enhance the property's value and utility. The investigation revealed that a potentially exceptional lower homesite location with incredible views was bisected by the eastern property boundary, with the eastern portion owned by an adjacent landowner. Recognizing this limitation's impact on development potential, the Manager successfully negotiated a boundary line adjustment with the seller for this expanded acreage bordering the subject property, effectively increasing the subject property's total acreage while incorporating the complete lower homesite within the ownership boundaries, drastically improving the views for this particular location on the property.

Comprehensive Due Diligence and Transaction Complexity

The acquisition required an extensive 19-month escrow period (August 2023 through February 2025), during which the Manager conducted exhaustive due diligence activities. This comprehensive investigation included meticulous analysis of property records, professional land surveys, over 30 individual property inspections via UTV (Utility Terrain Vehicle) and hiking expeditions, thorough legal reviews, and detailed analysis of water rights, mineral rights, surface rights, and the complete chain of property ownership spanning over 100 years of transaction history.

The transaction's complexity necessitated multiple contract extensions, each successfully negotiated while maintaining the original purchase price and providing additional time for thorough diligence completion. The acquisition ultimately required coordination between five separate law firms representing both buyer and seller interests, resulted in ten contract amendments, and spanned nearly two years from initial identification to successful closing.

Strategic Development and Infrastructure Investment

Upon successful acquisition, the Manager determined that the property's highest and best use would be residential homesite development, though hotel development was also identified as a highly viable alternative use. The property analysis revealed at

least ten excellent potential homesites, with six locations standing out as truly exceptional development opportunities. Two of these premier homesites are positioned at the absolute summit of the mountain, offering the most spectacular and commanding views available on the property.

The topographical challenge of accessing these premium summit locations required significant engineering solutions, as the ascending grade approached or exceeded 40% in certain areas—terrain too steep for conventional vehicle access and accessible only by foot until proper road infrastructure could be constructed.

Pre-Closing Preparation and Vendor Selection

Demonstrating exceptional foresight and project management capabilities, the Manager initiated critical infrastructure planning approximately 90 days before the property closing and 180 days before infrastructure. This preparation phase involved comprehensive interviews and evaluations of civil engineers, road construction companies, excavation contractors, well drilling specialists, sanitation engineers for septic system design, coordination with local utility companies, and extensive consultations with city, county and state development, environmental health revenue and tax departments.

Following six months of thorough vendor evaluation and negotiations, the Manager successfully assembled and contracted with the optimal team of companies and operators to execute the comprehensive infrastructure development plan.

Infrastructure Development and Value Creation

Development Execution Timeline:

- **November 2024:** Initiated infrastructure provider analysis, contractor sourcing, bid negotiations with road builders, suppliers, trades people, septic system sanitarians and designers, coordination with local utility company and city, county and state government agencies
- **November 2024 - March 2025:** Vendor selection and contract negotiation
- **April 2025:** Ground breaking and infrastructure commencement
- **April - July 2025:** Infrastructure development and installation
- **July 2025:** First-phase completion and property revaluation

Infrastructure Investment Breakdown:

Infrastructure Component	Investment
Road Construction (1.5 miles)	$200,000
Electrical Infrastructure (1.5 miles)	$190,000
Water Well (1,700 ft depth)	$110,000
Total Infrastructure Investment*	**$500,000**

***Note:** Infrastructure costs shown reflect expenditures only through the 24-month hold period ending July 2025. As the property continues to be improved, additional infrastructure development is anticipated, which will incur further costs and potentially significant additional appreciation, beyond those presented in this case study.*

Infrastructure Investment Highlights:

- 1.5 miles of engineered road system
- 1.5 miles of electrical infrastructure
- Summit water well: 1,700 feet deep (2nd deepest in Flathead County), producing 12-15 gallons per minute with multi-unit capacity sufficient to serve 10-20 homes (based upon DNRC's estimate of required acre feet of water per individual) depending upon residents per home and landscape irrigation needs
- Six homesites ready for immediate development. Currently developing 2.
- Future-ready for additional water well installations

Highest and Best Use Analysis:

- **Primary Strategy:** Residential homesite development (10 total sites identified, 6 premium locations)
- **Alternative Use (**not pursued**):** Hotel development (also highly viable given location and zoning flexibility)
- **Exit Flexibility:** Property can be divided into 4 parcels via family transfer without subdivision requirements

Key Investment Takeaways

This case study demonstrates three critical factors that distinguish Land Value Alpha's approach:

- **Systematic Value Creation:** The 61.54% ROI was achieved through strategic infrastructure development and operational improvements, not market speculation or timing luck, indicating a repeatable methodology for generating superior returns.
- **Industry-Leading Performance:** The 30.77% annualized return significantly exceeds industry benchmarks (12-18% for land development, 15-20% for private equity real estate), representing top-quartile performance in the asset class.
- **Operational Excellence:** The Managing Member's hands-on expertise in infrastructure development, regulatory navigation, and complex transaction management provides a competitive advantage that extends beyond financial engineering to real value creation.

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For additional information about Land Value Alpha Fund or to discuss potential investment opportunities, please contact the fund. All inquiries will be evaluated to ensure compliance with applicable securities laws and regulations.

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