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Creating The Dream Team

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Creating the Dream Team



Lee Arnold:

I want to welcome you to a very special CEO fireside chat. We're going to be attempting something here tonight that we've never done. I'm going to be introducing you to my dream team. These are the people that on a daily basis help me successfully buy, fix, flip, and sell real estate for a profit. We have never done this before. I'm actually going to be introducing you to each member of my team and then we're literally going to walk you through a successful acquisition and flip opportunity that literally anyone and everyone of you could have easily done. It was 100% financed by Cogo Capital, both the acquisition and the rehab, and it was a FSBO (for sale by owner) property, which means it did not require licensing.



What is the CEO Fireside

The goal of these monthly trainings is to instruct, inform, encourage, and hopefully entertain at some level. To sign up, go to:

<http://learnoldsystem.com/lp/ceo-fireside/>

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So, what is a dream team exactly? Businesses of all sizes have one aim in common: to do more with less. Achieving new levels of efficiency and productivity has become a necessity for businesses to remain competitive in today's market.

7 Steps to Creating and Managing a Dream Team

How do we create and manage a dream team? I'm going to give you the top seven things that you need to make sure you are implementing and providing as part of your business so that you can have systematized organization. This is where everyone is operating from a playbook and everyone knows who's supposed to be doing what. There's no confusion and there's no overlap.

Step Number One: Create a Positive Culture. A positive open and transparent work environment is essential to delivering results and retaining top talent. You do this by keeping everyone in the loop. Always keep the vision front and center and the strategies available to empower each team player to make a difference. So the question then becomes, does everyone within your organization know the goals of your organization? Does everyone know what you are trying to accomplish? Does everyone know how many deals you want to do this year? Does everyone on your team know how much money you want to make this year. Make sure it's a realistic, achievable, believable, and attainable number. I will tell you this: the hardest way to engage a team is to not have a desired outcome or finish line for them to be working toward together. Unfortunately many times this is the greatest thing lacking in a business. There's not a lot of clarity about what exactly it is you are trying to accomplish. You've got to get the team all working together toward the goal.

Number Two: Define Roles and Responsibilities. Make sure that each team member understands their position and how it contributes to the overall success of the company's objectives. We put together our phases. Who's responsible for each phase? I'm going to be showing you a very detailed list of how we break this down into who does what so that where one person ends, the next person begins and we become very efficient and streamlined in doing things that way.

Number Three: Set Goals. What are the objectives and how does each member work to achieve those objectives in tandem with other team members. Define milestones and celebrate when the goals are achieved. Assign to each team member their deliverables, their duties, their responsibilities, and what their goals are within that structure. There are a lot of things that must occur within each subset of the larger goal that you as the manager and CEO need to be managing.

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If I were to go up to any one of your employees, subcontractors, or contractors and ask them what is being required of them on this task, could they answer the question? If they could answer, could they tell me the timeline that they had been given to complete the task? If they could, could they then tell me how much money has been allotted to that particular line item? I have found almost 100% of the time that I go through this exercise with my private consulting clients that there is a lack of clarity from their employees and contractors. It's like the blind leading the blind and it's a problem that we need to fix.

Number Four: Enable Trust. Everyone has to trust each other in order to reach the vision. The trust comes from the top. If you can exhibit trust and confidence in each team member, they will see each other that way too. It's an absolute, essential ingredient especially in a fix and flip scenario. You cannot be in the business of micro-management.

Every morning I wake up to this message in my calendar. It says, "Your job as the CEO is to build the team, not to build a product. It's the responsibility of the team to build the product."

Number Five: Manage Conflict.

No matter how much you trust each other you won't always agree with each other. It's important to deal with conflict quickly and openly, otherwise unresolved issues can eat away at your productivity. You need to develop a solution with all parties involved so there is complete buy-in from everyone. In a moment I'm going

introduce you to my team that is responsible for everything related to our fix and flip side of the business, from our construction manager, to our project manager, to our buyer's agent, to our stager and our marketing person. There are times when someone thought this was going to be occurring and it didn't. There are times when we thought this degree of craftsmanship would be completed by this time and it wasn't. How do we effectively deal with that and work through it? We'll share that with you.

Number Six: Reward and Retain. When flipping houses, financial incentives to meet milestones are essential. Also make sure you're generous with praise when celebrating victories. Research shows that employees stay produc-

ENABLE TRUST

Everyone has to trust each other in order to reach the vision. The trust comes from the top. If you can exhibit trust and confidence in each team member, they will see each other that way too.

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tive when they feel recognized and valued as individuals. They need to feel like they are a part of something and that their contributions are producing a good product or helping people.

Number Seven: Lead by Example. Involve everyone in the group and motivate and engage them by being the example you want to see in your team. Live by your core vision and values and then set the benchmarks you want your team to follow. If you want to see high standards and dedicated work ethic make sure you're the first one drinking the Kool-Aid. You can't be insecure, unsure, or sheepish. You must have clarity, motivation, vision, and direction if you want your team to follow your lead.

I don't teach you to hang sheet rock and swing hammers. I teach you how to hire people who can do those things. However, when you hire them, they are going to size you up in the first 30 seconds of meeting you and wonder, "Is this a person that I want to follow or is this a person that I need to lead?" Confidence helps to breed trust. God created you, God made you and if you can't be confident about that, there's nothing I can do to help you.

You may have never flipped a house successfully so you may have some trepidation about the process and flow. That's what I hope to bring clarity to you today.

Meet My Dream Team!



The first person I want to introduce you to is Lori Phillips. Because my business was scaling and growing pretty rapidly and we were doing so much volume, I was literally being barraged with phone calls and offers coming in. I needed someone that could just take charge of this process. Although I am a licensed real estate agent with Keller Williams, I needed another licensed to join me on my team at Keller Williams and become my acquisition specialist.

Since bringing her on, it has been a flawless process. Properties are being acquired and deals are being put under contract and negotiated while I'm out on the road training at events or doing private consulting with clients. One of the roles you need to be looking to fill quickly is a buyer's agent or an acquisition specialist. Lori puts together the comps for our upcoming auction properties, determines the minimum and maximum bids for these auctions, and drives by properties to determine if they're worth bidding on. She also records the title of newly acquired properties. On the design side of the business, she chooses the colors and flooring. She also prepares all the tick sheets on properties that are close to completion and makes sure that they are ready for customers to walk through them. You will never get a second chance to make a great first impression, so having someone who will make sure the property goes live perfectly is a God send. She also shows and sells the homes by working with the

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Dustin Kloos:

buyers' agents, and creates contacts for everyone.

Next we have Dustin Kloos. As our construction managers, he manages the construction team, all of our subs, suppliers, and contractors. He is involved in the project from the moment we put together the statement of work and the budget. He takes the property from the condition we acquired it in to it being ready for sale. He then turns it back over to the retail sales team to get it moved. He completes the scope of work, prepares the budget, and maps out the timeline and draw schedules. He also follows up with production line processes and completes the tick sheet and final walkthrough of the construction. He then finishes up all tick sheet items before we go live on the MLS. Dustin say hello.

Hi, I'm very honored to be a part of the Lee Arnold Team. I jumped on board because I saw a lot of potential in the company and not just the position. I liked how diverse the company was and where they were going. I'm really looking forward to the future.

Lee Arnold:

Thank you Dustin. Very glad to have you here too.



I also want to introduce you to Sarah Tooker. Sarah is our project manager/accounting professional/controller/and anything related to numbers person. All of the things that I despise and hate about this side of the company is what Sarah takes care of. She is the person that manages and reports on the budgets, creates the profit and loss statements, manages the accounts receivable and accounts payable, and handles payroll for the team

Welcome Sarah. Thank you for being here. Glad to have you.

Our final panel expert is Michelle Mendez. Many of you know Michelle as my personal assistant but since joining the team she has become so much more. Since the fix and flip side of our business has taken off, Michelle has taken on a lot of the responsibilities related to this entire process. She puts together the auction packets and identifies any outstanding bills and liens on the properties so we can make sure we're bidding on first lien mortgages only. She makes sure that all the properties are insured the minute we buy them and gets the utilities turned on. If there's an eviction, she manages that process until the property is vacated. She also sets up all the cleaning, photos, and signage. She stages the property and has a great eye for design. She attends the photo shoot to make sure our photographers are getting the photos we need. She puts together all the listing paperwork, the virtual tour, and flyers, which I'll show you in a minute. She updates Zillow to make sure it matches the listing information. Once a property sells, she unstages the property and sends the agent and buyers thank you gifts. She does a lot! Michelle thank you for being here.



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All right so let's get started on the process. I chose this property to highlight in tonight's presentation because it's a FSBO property, which means it does not require a license to find or obtain. Anyone could do this deal. It's not an auction property, so you don't need all cash to purchase and therefore allows time for Cogo to provide the financing for you. This is a deal that can be done in Anytown, USA. Lori, can you tell us how you found and acquired this deal?



Lori Phillips: This was an acquaintance of mine. It was a couple that I had known for quite some time and they had raised their children in this house. They had bought the house from their mother and it had been in the family for about 40 something years. They decided that they wanted to downsize and didn't have the ability to get the funds to fix it up. She came to me and said, "You're working with Lee Arnold? Would our property meet his criteria?" Lee and the team and I went out to take a look at it, reviewed the title, agreed on a price, and purchased the property.

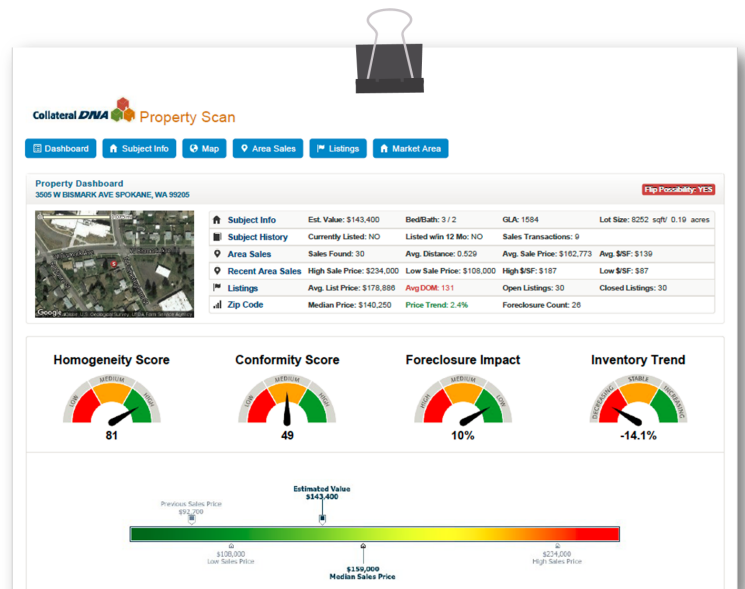
Lee Arnold: Now remind me Lori, because I remember they were asking a higher price than we paid, correct?

Lori Phillips: Yes.

Lee Arnold: What was that price?

Lori Phillips: It was \$99,000 and we paid \$92,500.

Lee Arnold: So Lori brings this deal into my office and asks, "What do you want to do with this thing," which means I need to do some research. There are two questions you must ask regarding every real estate transaction you go into. Question number one is, "What is it worth?" We need to determine the value. To do this, we go to Cogo Capital and order a Collateral DNA, which gives us the closest valuation. According to this the estimated value as this property sits is \$143,400. The low sales price in the neighborhood is \$108,000 and the high sales price is \$234,000. I like to see that there's a pretty good upside. The average list price is \$178,000



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with an average days on market of 131 days. There's currently 30 open listings and it also gives you foreclosure counts. There's a lot of really good information that's in here.

To get a Collateral DNA just go to www.cogocapital.com, click on Collateral DNA. Normally this report is about 19 to 20 pages but I'm simply showing you the top of the first page. So value is going to be somewhere between \$180 and \$220.

Question number two is, "What can we get it for?" To determine that we need to go to My First Am and determine what the deck stack is. Lori said they had purchased this property from their mother in 1992 for \$62,000. There's a deed transfer and then you can see that they got a loan for \$20,000 from Washington Trust Bank in 1995. They refinanced that in '96, which took the loan from \$20,000 to \$32,000. They refinanced it again in '97, which took it to \$64. In 1998 they got a second mortgage for \$32,900. Eventually, I think the payoff on their loan today was about \$50,000. Is that right?

Lori Phillips: It was \$52,000.

Lee Arnold: We know what it's worth and we know what we can get it for. Here are some additional comps through My First Am. You can see that there's a house on Bismark that is a little smaller, a little older that sold for \$96,600. We need comps that will substantiate why our offer is coming in so low because we need to get this property in the \$92,000 range just to make the numbers work. Someone asked me how much work it needs. On this page, you can see by my chicken scratch that we put value at \$169,900. This is a single level rambler of 1,500 square feet. There's no basement or second floor. We're going to shoot for \$169,900. Lori and I wrote the offer for \$92,700 and then Lori met with the people. Can you walk us through how that conversation went?

myFirstAm[®] Property Profile 3505 W Bismark Ave, Spokane, WA 99205

| Property Information | | | |
|---|---|----------------------|---------------------------------------|
| Owner(s): | Sandifer Randall R / Sandifer Kerri L | Mailing Address: | 3505 W Bismark Ave, Spokane, WA 99205 |
| Owner Phone: | Unknown | Property Address: | 3505 W Bismark Ave, Spokane, WA 99205 |
| Vesting Type: | | Alt. APN: | |
| County: | Spokane | APN: | 26351.2301 |
| Map Coord: | 8I | Census Tract: | 000900 |
| Lot#: | 1 | Block: | 3 |
| Subdivision: | | Tract: | |
| Legal: | Western 10th Pt Of L1 B3 Pin Of L1 Lyg Ely Of Ln Dr N Frm Pt On Nly Ln Sd L1 14FT Ely Of Nwcor To Pt On Sly Ln 28. 65FT Ely Of Swcor Of Sd L1 | | |
| Property Characteristics | | | |
| Use: | Sfr | Year Built / Eff.: | 1958 / 1970 |
| Zoning: | | Lot Size Ac / Sq Ft: | 0.1894 / 8252 |
| Bedrooms: | 3 | Bathrooms: | 1.5 |
| # Rooms: | 5 | Quality: | Fair |
| Pool: | | Air: | |
| Stories: | 1 | Improvements: | |
| Gross Area: | 1584 | Garage Area: | |
| | | Basement Area: | |
| Heating: Forced Air Gas | | | |
| | | Style: | Ranch |
| | | Parking / #: | / |
| Sale and Loan Information | | | |
| Sale / Rec Date: | / 05/05/1992 | *\$/Sq. Ft.: | \$39.14 |
| Sale Price: | \$62,000 | 1st Loan: | |
| Doc No.: | 000301218C | Loan Type: | |
| Doc Type: | Deed | Transfer Date: | 05/05/1992 |
| Seller: | Owner Name Unavailable | Lender: | |
| | | Prior Sale Amt: | |
| | | Prior Sale Date: | |
| | | Prior Doc No.: | |
| | | Prior Doc Type: | |
| *\$/Sq. Ft. is a calculation of Sale Price divided by Sq. Feet. | | | |
| Tax Information | | | |
| Imp Value: | \$86,200 | Exemption Type: | |
| Land Value: | \$30,000 | Tax Year / Area: | 2016 / 0010 |
| Total Value: | \$116,200 | Tax Value: | \$116,200 |
| Total Tax Amt: | \$1,693.73 | Improved: | 74% |

Lori Phillips: I had been in the house several times because they are acquaintances of ours but I hadn't really looked at it from the perspective of purchasing it for a fix and flip. We went through each room in order to talk about what needs to be fixed. Our num-

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bers were where we thought they should be. We walked through the house thoroughly, to get a vision and an idea of the scope of work together, and then we met up to work on a price.

Lee Arnold: How did they respond when you showed up with an offer of \$92,700?

Lori Phillips: They weren't extremely happy to say the least, but they knew the situation that they were in and that they did not want to fix it up nor did they have the cash to do it. Ultimately, they felt that at least they'd be putting \$10,000 to \$12,000 in their pocket and would be able to move on, which is what they chose to do.

Lee Arnold: If you're looking correctly, this is really something you will see a lot. There are a lot of homeowners out there that have a house in disrepair. They want to sell it but they can't because of the condition that it's in. This property would not have qualified for FHA or conventional financing as it was because the furnace and roof was bad. They needed a cash buyer. You may be discounting yourself and saying, "Well Lee I'm not a cash buyer." I used Cogo to finance this deal. I didn't write a check. Cogo, as you will see, financed this entire project and Cogo can finance these types of deals for you as well. When you meet with a homeowner and you're offering less than value or less than asking price, you need to be able to substantiate or justify the offer and that's why we put these comparable sales together to bring presenting that deal.

So step one is to get the property under contract. Step two which is where we need to now buy and secure the property. Michelle, you and Lori talk about from the time they sign the purchase and sale agreement to the time you're passing the baton to Dustin.

Lori Phillips: We have them sign a purchase contract and then we wait the escrow period, whatever period of time that is, before closing. Once we close, we have it properly insured and utilities are transferred.

Michelle Mendez: Making sure that it's insured is the most important thing. As soon as it becomes our property, I'm on the phone with our insurance company.

Lee Arnold: This is really important when we're buying the property auction because we buy today, we own today. So literally from the time it's going once, going twice, sold three times, we own it. If it burns down from the time we own it, we lose all our money, right? However on these types of projects, especially when you're using Cogo, Cogo will not let the deal close until you provide proof of insurance. That's going to be a requirement of closing. Now we own it and it's insured, what happens next Michelle?

Michelle Mendez: We make sure to get the electricity and the utilities are put in our name so that we can get them turned on. If they were turned off, we can't get them inspect-

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ed. All of those steps need to happen before we can do any type of construction.

Lee Arnold: And should those things happen before or after you bring your contractor out there?

Dustin Kloos: I'd like to add something to that too. Something else Michelle does is pull permits. Typically, you're just going to need a general builder's permit. A good example, here in Idaho, in Kootenai County, it can take up to two weeks to get a permit. Just 30 minutes across the border, in Washington State, you can pull a permit online and have it immediately, or you can go in the office and spend 40 minutes and also have it immediately. Depending, permits can delay your job quite a bit, so know the permit process in your county or city.

Also, Michelle mentioned an electrical safety inspection. The residential code dictates that any house that's been vacant for over a year needs to have certain inspections before any utilities or anything else can be transferred. Here in Spokane County, if we pick up a home that's been vacant for over a year it needs to have an electrical safety inspection done. An electrical inspector will need to make sure everything's okay. The gas company will also need to inspect the gas lines. The logistics of getting all that done can take a while and if you're not on top of it, it can delay your job another week or two. So know the permit process and know how long the house has been vacant.

Lee Arnold: Good point on the permits, Dustin. You don't need to wait until you buy a house to start researching the permit process. That's something that every single one of you should be inquiring about and researching as you anticipate going into the real estate investing business. Dustin, who's responsible for pulling the permits, the owner or the contractor?

Dustin Kloos: It depends. It's going to be the same in your area as it is in ours, so you will pull the electrical safety permit. It's just like a normal permit. You'll apply for it and then go ahead and schedule it with the inspector. You have to contact an actual licensed HVAC person to do the gas. He has to come out, put a meter on the gas line, and pressurize it. The city or county then has to come out and inspect and approve it. The water is something that you also do, so out of those three you pull two of them.

Lee Arnold: Thanks. Now, Dustin, Sarah, and Lori, take us through the initial walkthrough, the creation of the scope of work, as well as the budget. While we're doing that I will show some photos and perhaps you can explain what's going on in each of these photos.

Lori Phillips: We all walked through the house together and we're all looking at different things depending on where our strengths lie. You can see on the bottom left

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hand corner that the pink rooms have hardwood floors. Maybe we can salvage those. You can see that the bathroom needs to be redone and updated. When we do our walkthrough, we each have a sheet of paper and we walk through every room and make notes and then we all get together and go over everything that we looked at. We often go through the house several times.

Dustin Kloos: What I look for most is the big ticket items. I've got a checklist of stuff. It starts with the major structural HVAC, the plumbing, the electrical, roof, and landscaping. Some of the larger ticket items we thoroughly inspect.

Lee Arnold: Give us the larger ticket items that you are looking at first.

Dustin Kloos: So in that order that I just gave you, because it does coincide with the order of construction, exterior-wise, I'll look at landscaping and roof. We're also going to look for major structural issues.

Lee Arnold: How would the untrained eye identify a major structural issue?

Dustin Kloos: It depends on what you're looking at. You could drop a ball to see which way it rolls or use a six foot level. Look for cracks in the walls and ceilings or sagging trusses. These are mostly things that are going to be visible. If your floors are four inches off, you're going to have to jack it up and re-joist your floor. As far as HVAC is concerned, typically the most important thing is whether the furnace is electric or gas. You want gas. If it's electric, you should qualify for some pretty hefty rebates to the point that a \$3,000+ system would only cost you about \$500 bucks. Your HVAC person should be aware of those rebates.

Lee Arnold: You can also call your electric or your gas company directly and ask them this question: "What rebates are available if I convert an electric heating system to a gas system?" In many of our homes, we're getting the furnace for free. What did it cost us on the house up on 25th?

Dustin Kloos: It was \$500.

Lee Arnold: A \$3,600 furnace that we spent \$500 for. That little nugget of information is worth three grand! Now as we're looking at these photos is there anything that you want to point out here.

Michelle Mendez: I'm not sure it's in the photos, but the heater was right in the middle of the room. Do you remember?

Lori Phillips: Right.

Michelle Mendez: And we took the wall out. It was in a very strange place in the house and did not flow well.



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+ Before Photos



+ Before Photos



Lee Arnold:

Well actually I think we'll see it in this next shot of photos. The kitchen was split with two walls. It had the main wall when you first walked in and then between the main wall and the kitchen wall was a 24 inch gap and it contained the water heater and furnace and took up a lot of space. We put all those items down in the crawl space, which allowed us to open up this room. I want you to take note of the floor plan and the layout because you're going see a dramatic

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change when I show you the finished product. Also pay attention to the fire-place. Dustin I want you to talk about this in the upper left hand corner. What is that and why is it there?

Dustin Kloos:

That's the layout of the kitchen. If you have a floor plan or any kind of layout of the house, it's very important to post those on the job site. We have anywhere from on the low end 12 upwards of 20 different people in and out of the house, so it kind of creates a guideline for everyone to look at and know what's going on and to remind them what the end product needs to be.

Michelle Mendez:


It's very easy for them to go back and say, "Oh, this is what we're doing because sometimes they're in and out of different houses more than once a day, right?"

Dustin Kloos:

Exactly. Cabinet layout's a big one. Our crew installs our cabinets but sometimes we hire other guys to install cabinets and it's good to have the layout front and center. Also post in large writing the target date for the completion of the home so they see that and are reminded of it every day.

Lee Arnold:

A couple of things that he said I want to highlight. Put the kitchen layout and the black line floor plan layout where everyone can see it, as well as the date of completion. That way everyone who steps foot on this property can immediately see what it needs to be done. It saves time and allows everyone to understand the vision and timeline.



| Arnold Professional Holdings Prepared for Escalade Properties LLC Property address: 3505 W Bismark | | Cost Breakdown Repair Costs Budget | | | | | | |
|--|---------------|---------------------------------------|-----------|-----------|----------|---------------------|---------------------|------------------|
| Item | Estimate Cost | Change Orders | Draw 1 | Draw 2 | Draw 3 | Draw Change Order 1 | Draw Change Order 2 | Amount Remaining |
| 1 Trashout | 400.00 | | 400.00 | | | | | |
| 2 Dumpsters fees | 300.00 | | 300.00 | | | | | |
| 3 Permits | 300.00 | | 300.00 | | | | | |
| 4 Dump | | | | | | | | |
| 5 Framing | | | | | | | | |
| 6 Plumbing | 3,300.00 | | 2,300.00 | 500.00 | 500.00 | | | |
| 7 P/FAC | 5,000.00 | | 3,000.00 | 2,000.00 | | | | |
| 8 Electrical | 4,000.00 | | 2,000.00 | 2,000.00 | | | | |
| 9 Windows/Sliders | | | | | | | | |
| 10 Overall - includes tape, texture, sheetrock | 1,200.00 | | 1,200.00 | | | | | |
| 11 Mud and Tape | | | | | | | | |
| 12 Paint-interior | 900.00 | | 900.00 | | | | | |
| 13 Paint-Exterior | 100.00 | | 100.00 | | | | | |
| 14 Floors - carpet and hardwood | 1,600.00 | | | | 1,600.00 | | | |
| 15 L,modum / tile / vinyl | 1,500.00 | | | | 1,500.00 | | | |
| 16 Trim | | | | | | | | |
| 17 Doors including door knobs | 900.00 | | | | 900.00 | | | |
| 18 Finish hardware | 350.00 | | | | 350.00 | | | |
| 19 Finish Plumbers throughout (sinks, tubs, faucets) | 400.00 | | | | 400.00 | | | |
| 20 Lighting | | | | | | | | |
| 21 Bedrooms (closet doors) | | | | | | | | |
| 22 Kitchens - cabinets, counter tops, sink, disposal | 3,450.00 | | | 2,450.00 | 1,000.00 | | | |
| 23 Appliances | 2,300.00 | | | 2,300.00 | | | | |
| 24 Rental (Equipment) | 600.00 | | 600.00 | | | | | |
| 25 Roofing | | | | | | | | |
| 26 Landscaping | 490.00 | | | | 490.00 | | | |
| 27 Sewer/Septic | | | | | | | | |
| 28 Siding | 100.00 | | | 100.00 | | | | |
| 29 Landscap- Sprinkler System | | | | | | | | |
| 30 Garage | | | | | | | | |
| 31 Masonry, Veneer & Chim. | 350.00 | | | 350.00 | | | | |
| 32 Other - Smoke and carbon detectors | 300.00 | | | | 300.00 | | | |
| 33 Labor - vendor | 3,000.00 | | | 2,000.00 | 1,000.00 | | | |
| 34 Labor - crew | 21,000.00 | | 11,000.00 | 9,000.00 | 1,000.00 | | | |
| 35 Other Supplies/Items | | | | | | | | |
| 36 | | | | | | | | |
| Subtotal | 51,840.00 | | 24,100.00 | 19,700.00 | 8,040.00 | | | |
| APH Admin fee - 20% | 10,368.00 | | 4,820.00 | 3,940.00 | 1,608.00 | | | |
| Total Repairs | 62,208.00 | | 28,920.00 | 23,640.00 | 9,648.00 | | | |

Contractor Signature _____ Date 10-3-16
 Client Signature _____ Date 10-3-16
 Client 2 Signature _____ Date _____

At the beginning of this webinar we talked about communication, clarity, and transparency. Make sure that everyone's on the same page. This is just one of those tools that's going to help accomplish that. As we're going through this property we're also determining what it's going to cost to renovate it and we're putting it together in the scope of work. Now who would like to talk about the scope of work?

Sarah Tooker: I'll talk about the scope of work. Dustin, Lori and I will walk through a house. We tap into Dustin's expertise regarding the functionality of the house and into Lori's regarding

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the finishing touches and what the house might need to sell in given the neighborhood. If it needs granite countertops or a fence, she makes sure to get those details included in the scope of work. Dustin then puts a spreadsheet together and sends it to me. I double check his numbers based on the total estimated cost for the project and then determine what kind of profit we're looking at given all the expenses. I also figure in the buying, selling, and holding costs as well as the utilities and insurance costs? We take all of that into consideration to determine what we're expecting the ultimate profit to be.

If it looks reasonable, if it's about 25 grand. That's the minimal profit we shoot for. From that we create the budget. If we don't like the way the profit looks, I take it back to Dustin and say, "Okay we need to shave five grand from this somewhere." We have to make those adjustments until the profit number comes back up to where we want it to be.

Dustin Kloos: I'll spend anywhere from three to eight hours completing the scope of work. This time includes walking around the house and talking with Lori, Michelle, and Sarah. I've been doing this a while so I can go through a scope of work without getting bids and be fairly close. You can do this as well by reaching out to your local professionals regarding price per square foot on big ticket items like paint, dry wall, or flooring. We know that if the house is 1,800 square feet, it's going cost us anywhere from \$2 to \$2.30 a square foot for paint. Same thing with flooring. We know that drywall's \$1.50 a square foot for drywall, \$1.50 a square foot hung, taped, mudded, and textured to finish. So those are a few examples. Obviously you're going want to get, you're going have to. You are going to get bids on the electrical, the HVAC, and plumbing but for the most part you can do a pretty good job estimating.

Lee Arnold: Now if you have been through the Rehab for Riches Certification Training, we give you the Marshall and Swift Standard Cost of Construction for the entire country. You know exactly what it's going cost to get painting done, what HVAC should cost, what a bathroom remodel is going cost, what a linear foot of trim or base trim is going cost. If you have not been through the Rehab for Riches Training you should for this one thing alone! Sarah can you talk about the scope of work and the draw one, draw two, draw three? Explain that to us.

Sarah Tooker: First of all, I make sure that Dustin hasn't left anything out. I keep an eye on all of the line items to make sure that we didn't miss anything. And then once we have agreed on a scope of work and we've accepted the budget for the project, I'll actually enter this into QuickBooks and then track our expenses there.

As I get the receipts, I try to get everything itemized out into the categories and then I can keep track of exactly how much we spend in each category. We have a meeting once a week and I go through our actual costs versus our budget. I'll look at the numbers on a weekly basis and the draw dollar amounts. As

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our total expenses are reaching the dollar amounts on the very bottom of the spreadsheet, that's when I start looking at doing another draw for the project.

If we've done a good job estimating, the numbers will match up pretty closely in terms of our actual expenses. I keep track of the total expenses too to see when the project might be running out of money and when we need to collect again.

Lee Arnold: And who do you collect from?

Sarah Tooker: I collect money from the owner of the house, which is the fund or a one off lender through Cogo Capital.

Lee Arnold: Our students would actually be getting their job request from Cogo Capital, so once the draw is complete and the work is done you would then submit that to Cogo Capital to release the next draw. You see here that we have draw one, draw two, draw three. The other thing you see on this draw sheet is each line item on the draw. This will walk you through the stages of construction. You trash the house out first and you'll need dumpsters and permits to start. You then need to work on your interior wall items, like plumbing, HVAC, and electrical. You'll need to put in window sliders before your sheet rock goes up. If you just follow this from top to bottom, it will walk you through the logical method of rehabilitating a piece of property.

Sarah could you explain the admin fee at the bottom here? It says 20%. What is that?

Sarah Tooker: The admin fee is what Arnold Professional Holdings charges the property owner. That is what we use to pay salary and taxes. That's basically how Arnold Professional Holdings makes its money because the only other money that we collect is essentially a direct reimbursement of all those expenses that we've paid for to rehab the houses.

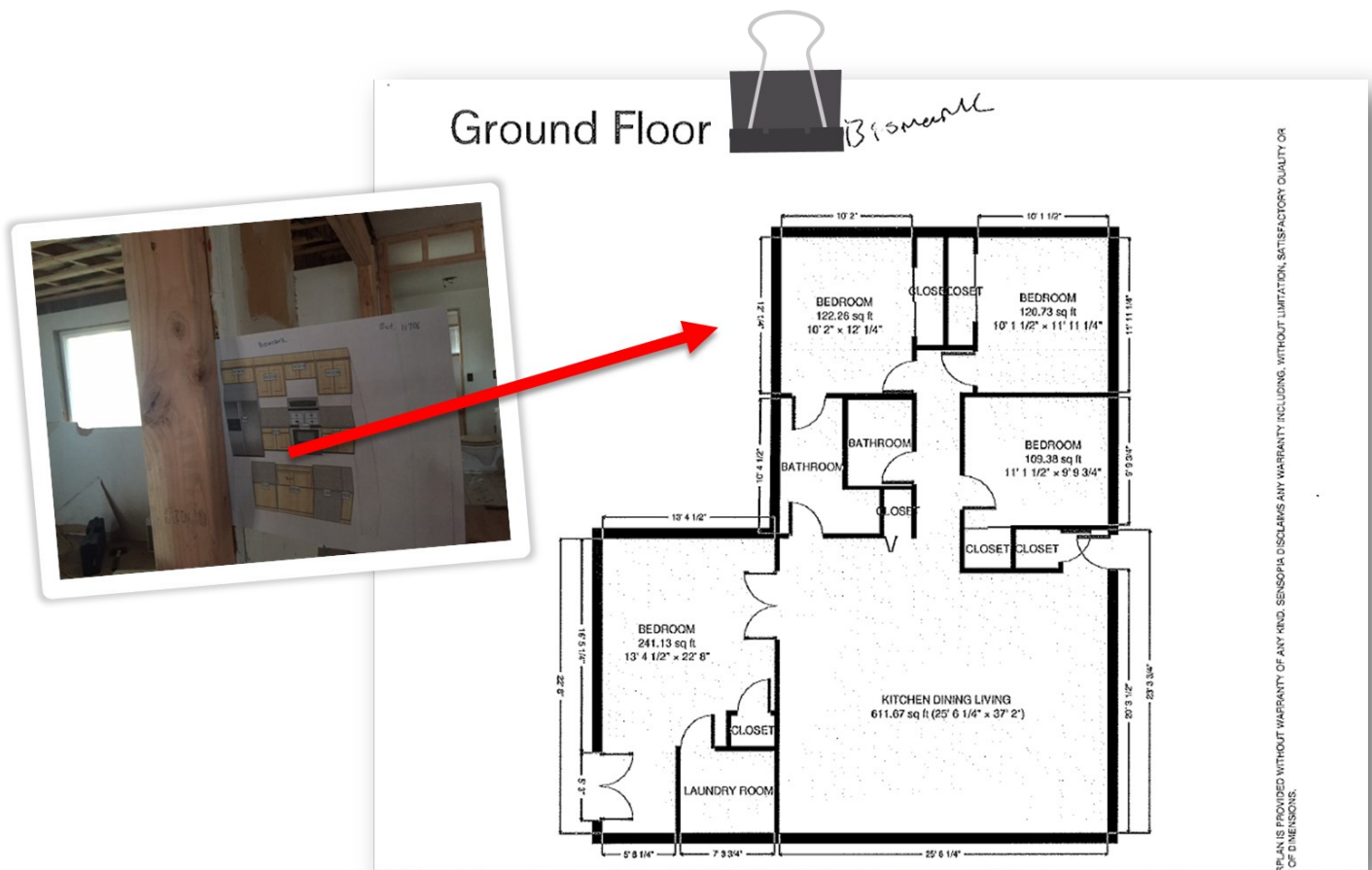
Lee Arnold: Good. Just for clarity so you can understand how this works, Arnold Professional Holdings is my company. It is the licensed bonded contractor that does all of the work on our projects. It has overhead, i.e. employees (Sarah, Dustin, and the crew). We charge to Escalade Properties, which is an LLC that I also own, 20% to oversee the work. Later on I'm going show you why on the final balance sheet. It will make a lot more sense when we get to that section.

Step Four is the strategy planning. We meet to plan, share concerns, make suggestions for work flow and then Step Five, the build out begins. So Dustin walk us through the build out process and explain what we're looking at here on our sheet.

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Dustin Kloos:

This is the black line or floor plan. To create it, I use an app called Magic Plan. It's pretty much 100% functional from your phone. It's very simple to use but it can get very detailed down to adding a plant in a room. I believe it's \$99 a year. It's a confirmation of the swing of which way the doors go. It's also a confirmation of how many bathrooms there are. This app is very thorough. It breaks down everything like square footage to surface space of the walls so you know how many linear footage of frame you need. You can add windows. You see how many doors you have so you know how much trim you need for your doors. I can go on and on and on in how effective and how many takeoffs you can get from this. I would highly recommend downloading the app even if you want to just try to use it once. It is very effective.



Lee Arnold:

Go to Magic Plan. Again we do not own Magic Plan. We don't get paid any money for endorsing it so there's no financial upside or benefit to us making the recommendation. We simply want you to have the best tools. I refer to this as a black line drawing. For obvious reasons the lines are black and you see

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what's what. This needs to be hanging up in your rehab project.

Now something that we did to this house. The floor plan that you see is pretty much how it was except this bedroom and this bathroom ended right here and this was open space but we have been utilizing this format in most of our rehabs now where we have a common bathroom on the main that will also function as a master bathroom simply by locking out this door and I think we've done probably 80% of our rehabs utilizing that concept.

The other thing that we've been doing a lot of is this idea. These two doors here are French doors. This makes for a very large entry coming into this room but as you can see it's coming right off of the kitchen but because we have doors on it and we didn't put a closet in it we can call it a bedroom. So this is how we're getting a four bedroom, two bath with a master suite which is really important in terms of marketing. As we go to now put this on the MLS and we can boast a four bedroom, two bath 1,600 square foot house. We didn't add square footage, we simply made the floor plan more functional and we got a lot more use out of it.

All right next we go to our weekly progress reports. This meeting occurs every Tuesday at 10:30. It's right after our all team meeting. For those of you that have been up here for some of our specialty classes as well as our master broker, master rehabber training many of you have sit through our team huddles which are every Tuesday at 9:00 AM. After that we go into what we call our APH meeting. Can the four of you kind of explain in an APH meeting and Sarah I'll let you go first?

Sarah Tooker:

Well my primary concern with the APH meeting is letting everyone know where we're at in terms of money. Whether or not we're staying on budget for the project, what our actual costs are for each project, and then if there's anything that I need to get approval for like a draw on one of the projects or if we've had a change order come up where we found out that something is going cost our dollar amount is \$1,000 or if we found something that's going cost \$1,000 more than what we estimated for originally, that's a time where I'll take that job request to the property owners and the rest of the team and update everyone on what's going on in terms of money for the projects.

Dustin Kloos:

On my end it's updating on everyone on what's going out on the field because I'm out there, they're here in the office. They have really no idea what's going on, so I use this time to be able to give them updates on the schedule, what's been completed, address any issues. Maybe change orders, things that have been submitted. I also use it to pick everyone's brain and ask questions and get some ideas. Everyone on our team has different strengths and so I try to use that and ask them questions. It's going benefit all of us but this is mainly my time to let everyone know what's going on as far as schedule wise.

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Michelle Mendez: My role at those meetings is always to find out when I can get in there. I'm dying to get in there and start the staging process and then as soon as it's sold when can I unstage it? Lee is very adamant to not un-stage a home until it is completely sold because if your deal falls through then we'd have to re-stage it.

Lori Phillips: And my input on this is trying to hold Dustin's feet to the fire as to when we can list it and make it live so that we can have the product closing. We don't always agree.

Michelle Mendez: Sometimes these meetings can get a little lively.

Lee Arnold: To say the least. Okay, go ahead Dustin.

Dustin Kloos: I'd like to add on the left you're seeing a partial materials list and just address that while it's there and again you're only seeing part of it but looking on there going back to the original scope of work. Going back to the black line. You can see materials now. Doors, some stuff you're not seeing on here is trim. A

lot of stuff you're not seeing on here is finish items. The key to making a material list is timing and trying to get a complete materials list of everything you're going need.

It's fairly hard to do right in the beginning but as stages progress, you should have your complete material list done and materials bought for your project 100% within my week two. I think it's a good goal. There's no reason you shouldn't. By then you've done your demo, your major structural stuff. You've got your floor plan in. You know how many bathrooms you need so you know how many toilets. You know how many faucets, sinks, supply lines, closets, and doors. There's really no reason that by week two you can't have a 100% materials list.

This list is very lengthy and you're going miss stuff, like a pole or a bypass door and you're going learn from it and you're going to add it to the next list but be as thorough as you possibly can.

BISMARCK MATERIALS

- 7 main walls - *Shelley 05/16*
- 6 ceiling and trim
- 2 toilets
- 2, 24" vanities with matching width mirrors 24"
- Lights
 - Exterior, 2
 - Master, 1
 - Bed, 2
 - Hall, 1
 - Master Bath, 1 (overhead ceiling boob style) No wall vanity light
 - Hall Bath, 1 (vanity wall mount style) 24"
 - Dinning, 1 over head. Mark wired this one in but I know you like to pick the lighting in these particular areas.
- Fans
 - Hall bath x1, you can make this a light fan combo if you want more light in here.
- Doors
 - Closet, 60" sliding door kit x 2
 - Closet, 48" sliding door kit x 1
 - 24" bi fold x 2
 - 30" RH x 3
 - 32" LH x 1
 - 28" LH x 1
 - 28" RH x 1
 - 72" French doors
- Vinyl Flooring 490 sq ft
- Carpet in addition room 17x14 238 sq ft

Paint!

sent Robert email 12/15 for owler

Dustin

Brookings Flooring

Allyl. 74

11/24

microns x

both

hardware

Lee Arnold: You are seeing on your screen the sheet we actually review every week during our Tuesday APH meeting. APH is Arnold Professional Holdings. It's the construction side of our internal operations. Dustin will update this list before each meeting and on this list you can see the projects pending. Now this kind of works like Craigslist ad, the newest posting pushes the rest down and the

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goal here is that as we add new properties, they keep pushing down and the ones toward the bottom then fall out and move to a marketing and sales list which I'll cover here in just a moment.

As you can see this was our meeting from 2/28. This was our meeting last Tuesday. You can see my notes from that meeting. You can see the property and then the stages of where we are. Materials pick up. Stairs are being framed on Monday, Tuesday, and Wednesday. The basement is going to be demoed on March 3rd. Basement demo on the 4th. Today HVAC phase one dormer demo should've begun because that's where we are presently.

HVAC phase one dormer demo and then we just go through and we update so we're looking at what is our target sales price and we're moving this all across here so that we can look at this simple sheet and know what is the stage of each one of our houses that is under construction as they go through this process. As homes get closer and closer to completion you can see here that we have go live dates. Now go live means the day that the property goes active on the MLS.

To lead up to the live date you can see we've got final paint, finish kits, final paint. We have cleaning. We have staging going through here and what we're doing is we're determining what the target date of completion is. As I talked about at the beginning of this is you have got to be communicating what it is you want to accomplish and by when. These are our go live dates on those listings.

As we get to the bottom and these homes are now coming off, we then move to a marketing and sales sheet. These are the properties, the purchase date, the acquisition price, what we're going to do with it, the date of construction being complete, our total construction cost, the date it was listed, the list price, the date that it went under contract, the contract sales price, and the close date moving all the way down including much of our REO inventory on our private equity fund. We will review this sheet on every Tuesday as well so we just keep track of all of our inventory as we're moving through it. Now one thing that I want to show you too while we still have this up. This is a really cool sheet.

This is Arnold Professional Holdings Inc. and it goes through phase, auction, packets, decision on spend, drive by, auction date, eviction, recording of the property, scope of work and budget, and you can see what the item is and who's responsible for. What the date of completion needs to be, strategy planning, build out, property updates, selling prep, selling close, client retention, and consumer feedback. And who does all of these. This is going to be given to you when you purchase the Project Management.

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After we do that it now brings us to our weekly progress reports, which we just went through and our post-construction staging which is where we'll walk through, complete a tick sheet, stage the property, schedule pictures, and attend or attach the photos. Lori, walk us through the tick sheet, how all that process goes, and how we then go in to staging. What is the process flow?

Lori Phillips: When Dustin says the property is complete and ready to be walked through for final touch ups or final repair, I walk the property. Everyone needs to be gone. Make sure that there's not someone touching up something or some electrical thing still needing to be done. They need to be completely done. A lot of times they aren't done, so they get to go back and do more homework.

I have some blue painter tape and I walk through every single room to look for things that need to be touched up, caulked, or things that may have been missed by the construction team. Tiles that may have been cracked or broken when they were put in. Doors that haven't been hung properly. Rods in the closets are a big thing. Sometimes they paint the closet, close it, and forget to put the rods in.

Those are the things that I put together in the list. I walk the interior every single room and note everything that I see as well as the exterior of the property. I type it up and that goes to Lee, Michelle, and Dustin. Dustin then figures out who's going to do what item so we can move to the next step, which is Michelle staging the property.

Lee Arnold: From you putting together and emailing the tick sheet and then going to Dustin, Dustin what's your process once you get the items that need to be completed from Lori?

Dustin Kloos: Lori does a very good job. It's a strength that she has noticing all the little details. Please make sure that you get more eyes on the punch list than just your own. If you're a husband and wife team, don't do it together. One of you go and check it out and write everything down and the second person take that list and look for more items. The more eyes on it, the better.

Once I get that list from Lori, it becomes a high priority to get it done, no matter how big or small. The ultimate goal is to keep those lists small. That's a lot of planning and strategizing and doing a thorough job during construction and as you and your team learn, your list will get smaller and smaller. That's the goal.

Lee Arnold: The other thing I want to highlight here is the punch list or the tick sheet as we call it is not completed until Dustin, the crew, and all of the tools and leftover materials and supplies are removed from the property. We used to do the walk through and punch list before the crew would vacate the property and we

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would miss all kinds of stuff because the tools were in the way or sawdust was covering problems. We would have to send the crew back multiple times which was not a good use of anyone's time. Once the crew has finished and removed all the materials and tools, Lori will go in and do the punch list. Now does the punch list occur before or after cleaning?

Lori Phillips: Before.

Lee Arnold: Once the punch list is complete, and Dustin and his guys finish the punch list items, what happens next Michelle?

Michelle Mendez: I have the cleaners in there maybe Tuesday afternoon or Wednesday. They do everything from cleaning up the sawdust to wiping the cabinets inside and out. They clean the baseboards, the inside and outside of windows. The end goal is to make sure that it is as clean as a nice hotel.

Dustin Kloos: Also be careful when picking your cleaners. Who you're looking for really is a construction cleaning crew that deals with this type of cleaning—not really the Merry Maid types. There are a lot of construction cleaning crews out there who know how to clean up construction debris, extra Spackle that's on the top side of a tub, texture that's in the corner of windows. They know what to look for and how to clean it without damaging the end product.

Lee Arnold: In full disclosure we have used Merry Maids, which is a franchise cleaning company and if you're going use one of those you need to be prepared to manage the level of workmanship required with construction debris. Michelle, can you walk us through your thought process here on the staging? Why you put things where you put them?

Michelle Mendez: So the most important thing when you're staging is to make sure that your house feels like a home. You need to add color and personality. We don't use a whole lot of furniture, but we do use a lot of textiles, like rugs, towels, and plastic plants. We use a lot of color. I also put up pictures to add a touch of color and mirrors to add depth and space. Here is a picture of the fireplace and behind that mirror is a plug so you can actually plug in your flat screen TV right there. The mirror really does stage nicely. It also reflects the light so it makes the room seem brighter.

I always try to add a lot of reds, oranges, and blues. Blues are very popular right now. You notice that in both bathrooms there is the same plant. I actually picked that plant up and I moved it for the next picture.

I am always there when my photographer is and I look at the pictures the photographer's taking to make sure that it looks like a magazine spread. I move things around. I'll throw a rug in a different room. I've pulled it from the kitch-

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en and moved it to the bathroom just to add color because the photographs are what is going to last the longest. Those are what are going to be on your listings, on the MLS, and on your virtual tour. So you want to make sure that your photographs are as pleasing, eye popping, and colorful as possible.

+ After and Staged Photos



+ After and Staged Photos



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Lee Arnold: Statistically, 88% of your buyers are going to look at your property online before they will ever walk through it. If what they see online is not appealing, they will not invest the time to look at the property. The hardwood floors are real and already there. We just refurbished them.

Michelle Mendez: They're beautiful too.

Lee Arnold: Yes they are. We try to keep the hardwood floors anytime we have them. Sometimes they're in such bad shape we have to cover them up with carpet but most of the time we can save them.

Dustin Kloos: Also the color of the walls is pretty much dictated by the hardware you use and the finish on the existing wood floors.

Lee Arnold: And you can see we use a lot of craftsman design in our construction. You see we put the bead board here in the bathrooms, which is an accent feature we've been doing on several properties that really looks great. All in all the house really came together nicely. Once the staging is complete and our pictures are taken, Michelle takes those photos and puts them into our Tour Factory video. We do this on all of our homes and this is the reason they're selling in 48 hours most of the time. Michelle, can you talk a little bit about Tour Factory?



Michelle Mendez: Tour Factory's a fantastic program. It's a super easy, plug and play program. It'll ask you to drop in your photos, your bullet points, and your description.

Lee Arnold: Richard Schneider said, "I see what you did to that fireplace. Looks great along with the whole place." What did we spend to have that fireplace completely rocked over? Dustin do you remember?

Dustin Kloos: It ended up being \$875 with materials.

Lee Arnold: That's materials, labor, and framing. We had to frame that back wall all the way to the ceiling. And how long did it take?

Dustin Kloos: He was there one evening for about three or four hours and then he was back there the next day for probably another three or four.

Lee Arnold: And it was done. That's a great show piece for that property. The other thing you can see is how we opened up the kitchen to the rest of the house.

Michelle Mendez: The floor plan on that house is so fantastic right because it all flows now. It's almost like a circle and it's perfect for people who are downsizing who don't want a two level home or for young families. I the fantastic floor plan and that

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open concept kitchen helped this property sell so fast. People can envision entertaining there.

Dustin Kloos: I think one of the biggest questions people have when they walk into a home is, "How do we open this up?" Then it becomes the question of can we open it up? Is this wall structural?

Lee Arnold: Yeah so where you see this glue land that's carrying that load from over here, that used to be a wall that went from here all the way to the side of the room here. We opened that up and where this row of cabinets now sits in the sink, that's where the furnace and the hot water heater used to be. By moving those down into the crawl space, we opened up all of this space. Walking into this place was just incredible. I would say 80% of our houses are selling in less than six days, seven days. They're flying off the shelf because we are bringing some of the best inventory to the market.

Now we list the property for sale. Lori walk us through the selling process.

Lori Phillips: Once we have the pictures, Michelle puts a flyer together. We put together all of our MLS information, listing information, and all of the statistical data. We then do a CMA prior to us doing all of our listing paperwork to come up with the price for the sale.

Dustin Kloos: Lori will you touch on the importance of making sure that the house is 100% done inside and out and how that correlates to possibly missing out on potential buyers?

Lori Phillips: Your house needs to be at its best. The first 10 days are so important because in our market here in Spokane, we are definitely short on inventory.

We've got pent up buyers that the minute it goes live they are looking at the house literally within an hour. Friday morning before noon if you've got some good realtors that are really working for the buyers, you've got a dozen people going through your house and if you're not putting your best foot forward, you'll know immediately.

Lee Arnold: And that's a good point. I want you all to write down we will go live with a new listing on either Thursday afternoon or Friday morning. If we miss that deadline or the house is not going to be ready for Thursday or Friday, we will push it to the following week to make sure that it is absolutely beautiful. As Lori just said, those first 10 days are critical. If you've done your job right and done everything to the right detail, you'll have it sold in that first 10-day period of time.

"How did it come in versus budget?" This is where the rubber meets the road.

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We did find the buyer and filled all of the buyer's requests for completion. We then get the final HUD and that final HUD goes to Sarah. So Sarah, what do you do from the time that you get the final HUD to the profit and loss statement and breakdown? So walk us through what happens next.

Sarah Tooker: Actually I'll take the final HUD and use that to create the profit and loss, which I think we have coming up on the next slide. You can look at the HUD and it'll tell you your breakdown. What you got the property for. What all your selling expenses were. What your closing fees are and if you had any interest or taxes. It'll tell you what your commissions were. Basically I take the final HUD and just plug that into the profit and loss statement that you're looking at right here. You can see we'll start out with what we bought the property for, the total expenses at the purchase of the property, and then I have detailed what it cost us to fix the property. I have it broken down by materials, fees, crew, labor, what we paid in utilities, interest expense, and then the 20% admin fee that goes to Arnold Professional Holdings that we talked about earlier. Then on the next section is just the detail for all the selling costs. It gives you the total investment, our sales price, which was \$205,000, and then our profit on the property, which was \$13,528.

Lee Arnold: I'm going pull up here for you is the original statement of work, which is here because this is what you need to see. Right down here you can see that our subtotal was \$51,840. APH admin 20%,


10,368. Our total repairs of \$62,208. That's what we put the bid at and then let me take you back to our P&L sheet. So you can see we were at \$67,000 and in the original profit and loss we were at \$62,208. We were \$5,600 over budget. Dustin, why?

Dustin Kloos:

I believe on that one we had some change orders. We had a fairly expensive mold issue in the attic space and a few structural changes that we made while putting in the kitchen. I believe we also had some furnace issues.

Lee Arnold:

A lot of our budget overruns came in the final sales process actually. The buyer ordered a home inspection and the home inspector found mold in the attic. When the house was built, they left all the sheeting out in the rain and then they put it in the house. It got moldy but the mold was no longer live. It was dead mold but they still wanted it remediated. I think we spent \$2,800 on mold



American Land Title Association Final ALTA Settlement Statement - Seller
Adopted 05-01-2015

Gustafson Law, Inc., PS
ALTA Universal ID:
1500 West Fourth Ave.
Suite 408
Spokane, WA 99201

File No./Escrow No.: 17-0073-C
Print Date & Time: February 28, 2017 8:43 am
Officer/Escrow Officer: Alissa Raczynowski
Settlement Location: 1500 West Fourth Ave., Suite 408
Spokane, WA 99201

Property Address: 3505 W Bismark Avenue
Spokane, WA 99205
Borrower: Darien A Brophy
Seller: Escalade Properties, LLC
1121 East Mullan Ave
Coeur D'Alene, ID 83814
Lender: PrimeLending, a Plainscapital Company

Settlement Date: February 24, 2017
Disbursement Date: February 24, 2017


| Description | Seller | |
|--|----------|------------|
| | Debit | Credit |
| Financial | | |
| Sale Price of Property | | 205,000.00 |
| Prorations/Adjustments | | |
| County Taxes 01/01/17 - 02/24/17 | 294.87 | |
| Loan Charges to PrimeLending, a Plainscapital Company | | |
| 6.781% of Loan Amount (Points) | 3,500.00 | |
| Title Charges and Escrow/Settlement Charges | | |
| Escrow - Closing Fee to Gustafson Law, Inc., PS | 510.00 | |
| Owner's Policy to First American Title Company | 841.34 | |
| Commissions | | |
| Real Estate Agent Commission to Keller Williams Spokane Main | 6,150.00 | |
| Real Estate Agent Commission to Kelly Right Real Estate | 6,150.00 | |
| Government Recording and Transfer Charges | | |

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remediation. The fireplace was not part of the original budget. That was \$1,000 bucks but it did help sell the home.

I want to show this to you because if you're looking at the sheet, you may be thinking, "All that work for \$13,000? That doesn't even seem worth it." Keep in mind that I have none of my own cash in this deal. Cogo financed this entire project. You see total expense at purchase and carrying costs all in here. Then we have our agent commissions as well as the admin fees paid to Keller Williams. When you add all this stuff together: our profit is \$13,528 and our admin fees are \$10,588. When we bought the property, we charged a commission and when we sold the property we charged a commission which means our net revenue was \$33,027.35.



| Property Profit and Loss | | |
|---|--------------|---------------|
| Property Address: | Bismark | |
| PURCHASE DATE | 9/30/2016 | |
| Cash Outflow (Investment) | | |
| Purchase of Property | \$ 92,700.00 | |
| Expenses at Purchase | | |
| Total Expenses at Purchase | 8,990.31 | 0.10 |
| Gross Cost Basis | | \$ 101,690.31 |
| Fix up and Repair | | |
| Materials | 35,359.55 | |
| Cleaning Fees | 450.00 | |
| Construction Crew Labor | 17,133.76 | |
| Property Utilities | 730.83 | |
| Interest Expense (Less Odd Days Interest) | 3,542.99 | |
| Admin fee paid to APH (20%) | 10,588.66 | |
| Total Fix up and Repair | | 67,805.79 |
| Estimated Holding Costs | | |
| Selling Costs | | |
| Total Fees | 15,825.21 | |
| Agent Commissions (Keller Williams) | 6,150.00 | |
| Total Selling Costs | | \$ 21,975.21 |
| Total Investment | | \$ 191,471.31 |
| Sale Price | | \$ 205,000.00 |
| Profit | | \$ 13,528.69 |
| Closing Date | | 2/24/2017 |

Now the reason we break it out like this is you are going to pay capital gains expenses on your profits. If you are going to be overseeing the project, why not take an admin fee, thereby reducing your operational overhead and your tax liability on capital gains. I also encourage you to go out and get your real estate license so that these fees also come to you because if you are not licensed, you're going to be paying these commissions to someone else. With the volume of properties that we're doing, I would be paying over \$100,000 to some other agent. That money's now coming to us instead.

The other reason we do this is because banks do not like all of your income to come in your profits. They like to see that you've got fee income coming in from other places. Lori and I participate in the commission on all of our sales together. Lori gets paid when properties are purchased and when properties are sold.

How Can You Build the Dream Team?

If you want to learn how to build a dream team too, we are going to show you how. We've put together a Project Management Home Study Course where we walk you through all of these forms, the cost breakdown, and the profit and loss statement. You'll learn how to use them and also get digital versions of each and every one of these so that you can do this when you get home.

During this course, we are your dream team and what we're going to be covering is how to do a rehab. You'll go to a rehab site, walk through the scope of work and the budgeting process. Dustin will teach you how to manage your contractors, your generals, your subs, and your tradesmen. Lori will talk about how to manage real estate agents. Michelle will walk you through the eviction pro-

Helping you achieve your financial goals

cess. Sarah will cover accounts payable and accounts receivable and show you how to create a budget, how to stick to it, and how to buy rehabs right. I'm sure you've heard the saying, "You make your money when you buy, not when you sell."

We have structured this training so each one of us will be talking to you and going through our individual areas of expertise. The entire team will walk you through how to put together a successful rehab project from start to finish so you can make \$33,000 or more on your next rehab. That's just one house. Our goal is to do 75 of these properties this year. What's 33,000 at 75? A million eight, not too shabby.

Here's exactly what you'll get:

- The plan.
- Extreme vetting of contractors, where to find them and how to research them online.
- Interview scripts.
- An in-depth review of the contractor's contract.
- How to negotiate pricing and timeframes with contractors.
- How to hire and when to fire.
- Dealing with change forms.
- How to develop the budget and scope of work.
- How to put together a draw process.
- How to work with the lender directly.
- How to execute strategies for monitoring the build out phase.
- How often to communicate with the contractors.
- How to use lenders and when not to use.
- How to leverage credit.
- What to look for in the final walk through and how to create a punch list with an added punch.
- Michelle's going take you through the cleaning, the staging, the Tour Factory, and how to put all of that together.
- Lori will be talking about the critical components to listing the property so it sells faster.
- We'll talk about when to unstage, how to follow up, and how to get the feedback from your prospective buyers and those agents so you can brand your properties to build future sales.

If you want to manage a project and not take too much time, which eats away at your profit, fail at sticking to a budget, doing too much on a property, forgetting to prepare for the challenges and the changes to the statement of work. If you're overpricing the property and yourself out of the market, you need to grab a copy of this Home Study Course. Call 800-533-1622 to learn more about it because if you think education is expensive, try ignorance. There are too many little and big things that can go awry when trying to flip a house.

Helping you achieve your financial goals

Having someone experienced to help you make the right decisions is invaluable.

You need to pick up the phone now and call 800-533-1622 if you want to invest in the Project Management Specialty Home Study Course.

Lori any final thoughts, words of wisdom you want to impart on our listening audience?

Lori Phillips: A real estate agent who knows what their market is and how to get everything up and running and the paperwork right the first time will save you money.

Lee Arnold: I've heard it said that a good realtor doesn't cost you money, they make you money. If they know what they're doing they can actually sell the house for more than you can. A lot of people don't use agents thinking that they're saving money, but their houses sit on the market for a long time. An agent can come in, mark up the price \$20,000, and their fee comes out of the increase. Dustin any closing thoughts or words of wisdom for our listeners?

Dustin Kloos: I think if you're serious about being successful at this, the Project Management Specialty Home Study is a must-investment in my opinion. Learn from the mistakes we've already made. There's no need for you to make your own mistakes. You're going to get all the tools that you need to be successful.

Lee Arnold: Again, thank you for being here and staying late and please tell your spouses, significant others thanks for allowing you to be here. For the rest of you, please call 800-533-1622 and grab a copy of this specialty training class, the Project Management Course.

You're going get the complete turn-key system, with all of the forms that we showed here tonight. Our profit and loss statements, our scope of work documents, my process flow. You will see our live team meeting and how we all work together, the forms that we use, the black lines that Dustin talked to you about, and much, much more. It will be one of the best trainings you've ever invested in.

In the meantime, happy investing and we hope to see you at one of our upcoming trainings.

The Circle of Wealth

After years of teaching and mentoring around the nation, I found that education doesn't mean a lick, if the person being taught doesn't have the capital to put their knowledge into genuine action.

So, I took the challenge and created a place, Private Money Exchange, where real estate investors could go for unlimited funds for their non-owner occupied investments.

While the progression seemed natural, we were missing one, very large and essential piece of the pie. The marketplace was teeming with people who had the funds, who aspired to make higher returns on their invested dollar, but lacked the desire to get involved in real estate at the ground level.

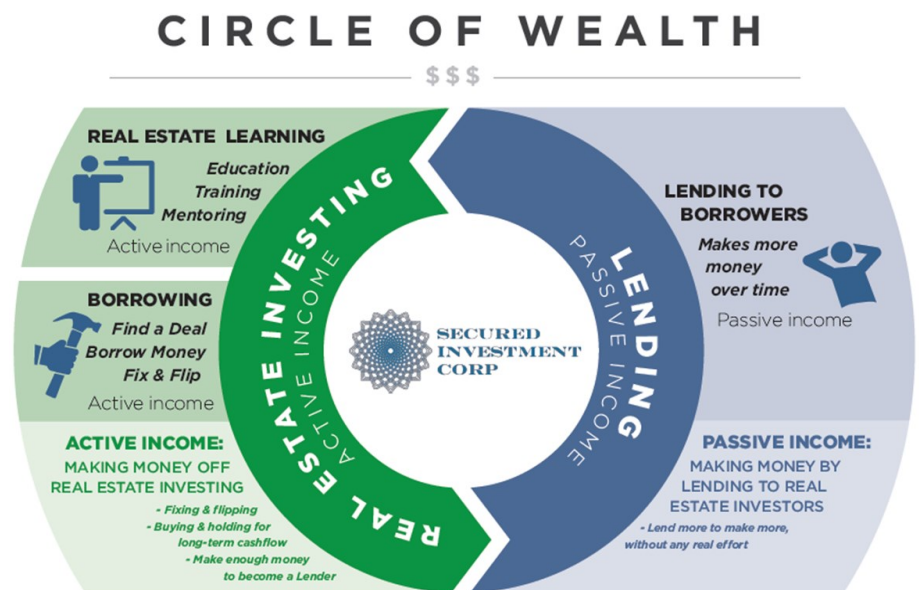
In light of this opportunity, we created Secured Investment Corp, which gave people a medium to lend on first trust deeds (real estate), and make higher returns than they were currently seeing in their stock market, bank CDs, or bond investments.

As we combined all these facets—training, funding, and the means to lend on real property—we began to notice a progressing trend of growth and success with the clients involved.

Through this model, what we call “The Circle of Wealth,” we also noticed that people who entered in at the training level and borrowed funds for their real estate investments, eventually became lenders in their own right. They then helped others obtain the capital needed to grow their real estate portfolios.

This allowed everyone, on every side, to win!

It is our goal that everyone can enjoy some level of success in The Circle of Wealth, and inevitably lap it several times over!



We hope you're one of them!



Who Is Lee Arnold?

Like most self-made millionaires, I began at the bottom of the financial food-chain. My humble beginnings started as a bag boy at a local grocery chain in Spokane, Washington working for \$3.90 per hour. My first “aha moment” happened while I was aspiring to a management role at the store and was reading the life-changing book, “Rich Dad, Poor Dad” by Robert Kiyosaki. Suddenly my management aspirations looked very small, but my future possibilities became extremely big.

My second “aha moment” happened while I

was sitting in a philosophy 101 course in college. My attention span was divided between the slow ticking of the clock and my professor’s long winded discussion on the economy. While the minutes ticked by, he let it slip that he was making only \$45k a year. That information and the knowledge I gained from Kiyosaki’s book, made me realize I was on the wrong path to success and needed to make some very important changes fast. So, from those experiences and an influential nudge from an incredibly persuasive late-night commercial, I went into real

estate.

I began the way many people do—in the educational and training space. Like many, I went to real estate seminar after seminar and bought course after course. Through long years of trial and error, I built up a very profitable, million-dollar real estate business from the ground up. I’m proof-positive that the training system can and does work! Because of this, I decided to help others by teaching them how to translate workbook education and real estate theory into the real world of real estate investment.

SMARTER INVESTING: Experience & Discipline

It is because of investors like you, that we are able to promote *The Circle of Wealth* and help individuals, of any background, familial, or income status to receive the training, the funding, and the return on their invested capital that they need to be truly successful. It is our goal to make those who aren’t, “Millionaires,” and for those who are, “Philanthropists.” We are grateful to provide a platform where investors not only earn the returns they seek, but also finish each day with the intense satisfaction that their investment allows someone else’s dream to be manifested.

THE
Lee Arnold
SYSTEM OF REAL ESTATE INVESTING

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