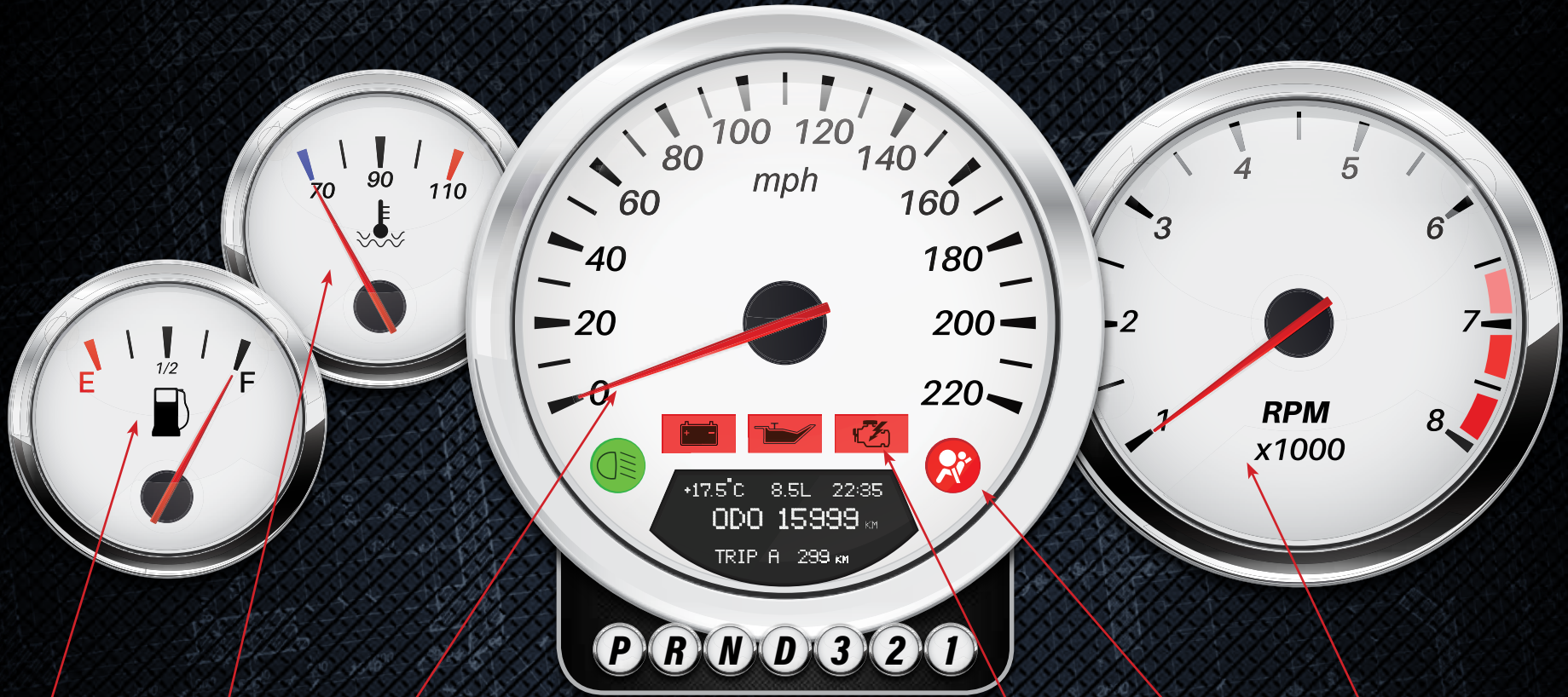


The background of the entire page is a detailed architectural blueprint. It features a grid of lines, various geometric shapes representing rooms and corridors, and numerous numerical dimensions in millimeters and centimeters. The blueprint is rendered in a light blue color against a darker blue background. The text 'WCR' is prominently displayed in the center, and 'Working Class Rentals' is written below it. The bottom half of the page has a white background with the text 'PROPERTY MANAGEMENT ESSENTIALS' in a bold, dark blue font. The bottom edge of the page features a light orange background with a faint, semi-transparent architectural drawing in the same style as the top half.

WCR

Working Class Rentals

PROPERTY MANAGEMENT ESSENTIALS



CASH RESERVES TANK

- » Collections Fill
- » Expenses Consume

TEMPERATURE GAUGE

- » How "hot" is the market?
- » Zillow vs investment

SPEEDOMETER

- » PROFIT

REVERSE

- » LOSS

3RD GEAR

- » Selling/Leasing

2ND GEAR

- » Repairing

1ST GEAR

- » Buying

CHECK ENGINE LIGHT

- Maintains historical log of issues with engine

AIRBAG

- » Unplanned significant surprise/shock

TACHOMETER

- » Time commitment-
- » How much energy to make profit?

Rentals – “Business Plan” or “No-Plan Forced Savings” or “Are you the mule”?

HOW DO MOST OWNERS OPERATE THEIR RENTALS?

- » Like a business?
- » Driven-by-the-wind?

HOW DO MOST PROPERTY MANAGERS OPERATE RENTALS?

- » Do they answer the phone every time a call comes in for your leasing ad?”
- » If hundreds of owners, they are “riding the mule ‘til it drops” – you are the mule – they seek that small owner they can “ride”
- » If their ratio-of-houses to owners is high – 15 houses per owner, vs 1.1 houses per owner, ... why aren’t their “owners” buying more houses?
- » Do they have written, repeatable processes for each phase of the life-cycle of a rental?

The Business of Property Management

TESTS OF A PROPERTY MANAGEMENT COMPANY

- » Do they answer the phone every time a call comes in for leases?
- » Do you know how many calls and showings you receive on a vacancy?
- » Do they have processes and instrumentation for every phase of the business?
- » Do they have quick access to capital for your needs?
- » Do they have instrumentation for their portfolio? Yours?
- » Can they find you houses to buy to meet your short and long-term strategies?
- » Do they have documented “continuous improvement” procedures at each level?
- » Do they own a portfolio of properties? If not, why not?
- » How many properties does the property management company own? Will they show you their **dashboard** with unfiltered numbers?
- » Do they manage their properties with the same processes they manage yours?

Is Your Property Management Company Built to Scale Your Business, or, only theirs?

- » Can they provide you automated ala carte services?
- » If you have 40 properties, do you have to use the property management company for everything, or, can you pick and choose:
 - » Non-automated collection calls
 - » Maintenance
 - » Leasing
 - » Make-ready

Property Management Summary

PROPERTY MANAGEMENT IS A COMPLEX, LOGISTICAL BUSINESS OUR APPROACH

- » Automate everything possible
- » What isn't possible to automate should be spelled out for team execution each morning
- » There should be scalable instrumentation and processes
- » There should be ala carte capabilities so that clients can pick-and-choose services depending on what their needs are at a given point in their life
- » The service should provide CFO, COO and CIO functions so the owner can be the CEO

WORKING CLASS RENTALS (WCR)

Importance of Planning, Accounting and Instrumentation

PLANNING

- » Many property managers mentally omit big one-time charges from their planning numbers – oh, I don't really count that roof, it will last 20 years – but if it was \$3000, that equals \$12.50/mo. Then there are the other items that last 20 years that add up as well. They should all be planned for.
- » Are you planning for both maintenance expenses and capital expenses?
- » Every house will need a new roof at some point, hot water heater, vacancy and make-ready, etc

ACCOUNTING AND PLANNING

- » Repairs
- » Capital expenditures
- » Vacancy

INSTRUMENTATION, ACCOUNTING AND PLANNING

- » Repairs - If one believes 10% will cover your repairs and capital expenditures over a long period of time (multiple years), one should escrow that 10%. If the escrow account grows to exceed the cost of a roof and large make-ready, start lowering the percentage. If it goes negative, increase the percentage
- » Vacancy - If one believes that there is a 5% vacancy rate, one should escrow that 5% and when the property goes vacant, that account should be able to cover the debt payment, eviction costs, insurance for the vacant period. If the account grows over multiple years, lower the percentage. If it goes negative, increase the percentage.
- » Instrumentation - The numbers are not as important as KNOWING THE NUMBERS. If you KNOW THE NUMBERS, you'll know how much you can pay for a property and have stable income. You need to know if your assumptions are allowing you to build speed, or, lose speed over the long run.

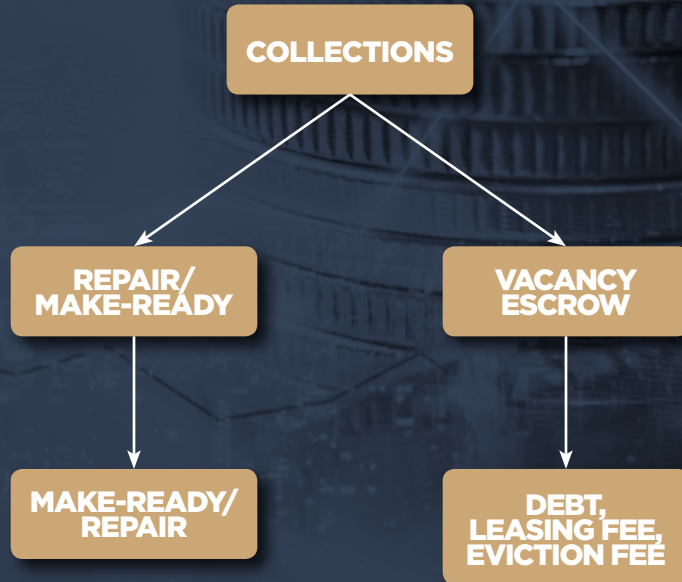
Accounting Flow

Funds are automatically escrowed for Vacancy/Repairs just like taxes and insurance

Collections

MADE EASY THROUGH AUTOMATION AND A PERSONAL TOUCH

- » Properties are divided amongst a group of “collectors” who receive an email each morning identifying who to call and how much they owe
- » Partial payments accepted - daily prorations are automatic
- » National banks, online bill pay, ACH, Walmart banks accepted
- » Automated calls and texts beginning on the due date through the 8th day late
- » Personal call on the 5th and beginning on the 9th day late and thereafter
- » Online notes memorialize all conversations/contact with each tenant
- » All funds received are booked by the end of the following business day



Make-Ready/Repair Costs

WHO TO CALL

- » Mechanical
- » Cosmetic
- » Structural
- » Landscaping

MAKE-READY

- » This is probably the biggest risk to rentals
- » Inspection, scope of work, bids, execution

REPAIRS/MAINTENANCE

- » This isn't usually where you bust-the-budget
- » Generally the most expensive cost is getting someone there. Once there, they should spend 3-4 hours repairing the item at hand, then, a full checklist of other items, such as trim trees off roof, leaks under sink, etc.

Repair Escrow

MAINTENANCE REQUESTS

- » Booked as "R-<item> "- allows reporting on repair type (e.g. a/c, plumbing, etc.)

MAKE-READY

- » Pre-Make-ready checklist should be done to establish an anticipated cost. We have a cleaning service perform this function so that contractors aren't the first to visit the property, and, contractors can then see what needs to be done, and, we have pre-construction pictures

GET BIDS

- » Book expenses according to "R-<item>" format to allow tracking and reporting
- » R-<item> reporting allows tracking of long-term items such as flooring, roofs, etc

Vacancy

DATA COLLECTION

- » Time from initial vacancy->make-ready-needed->make-ready-finished->rented
- » Documented/logged marketing efforts, responses, results

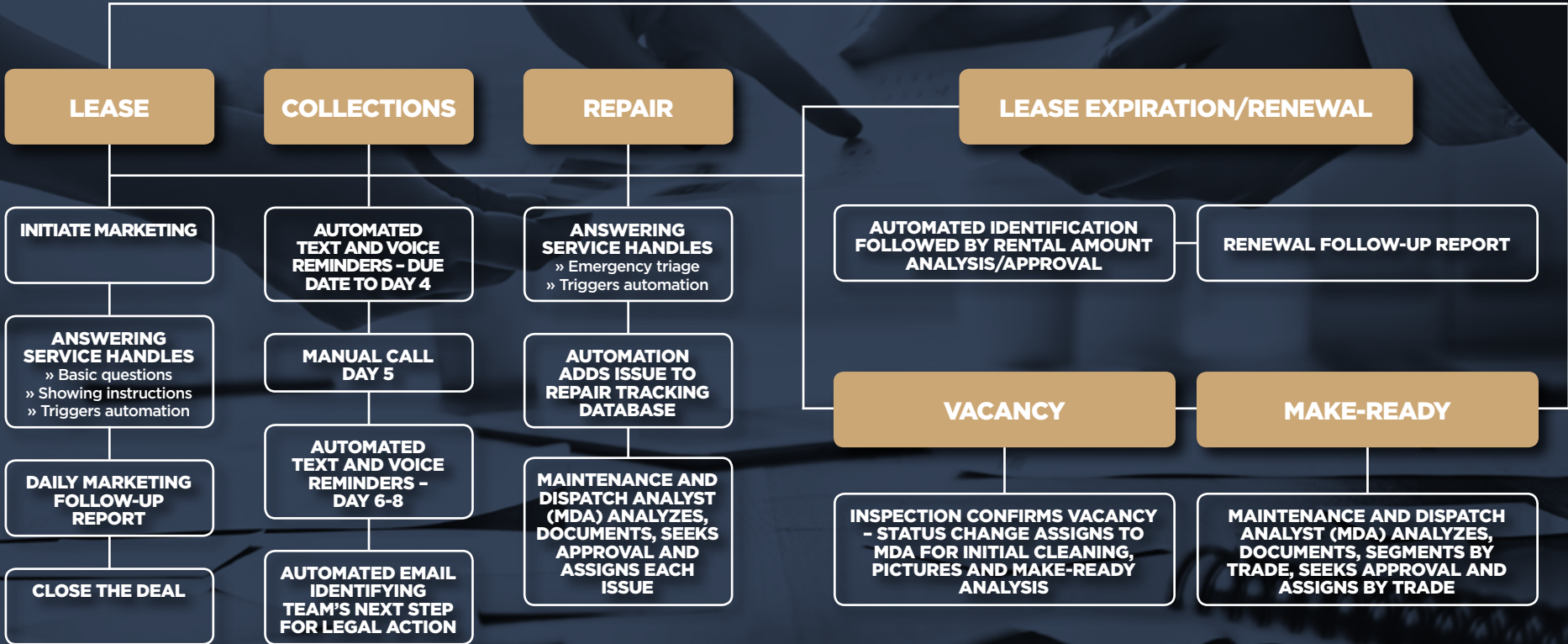
Tenant Longevity

- » Data collection
- » Number of tenants past 18 months
- » Number of months rental has been in service
- » Number of leases broken

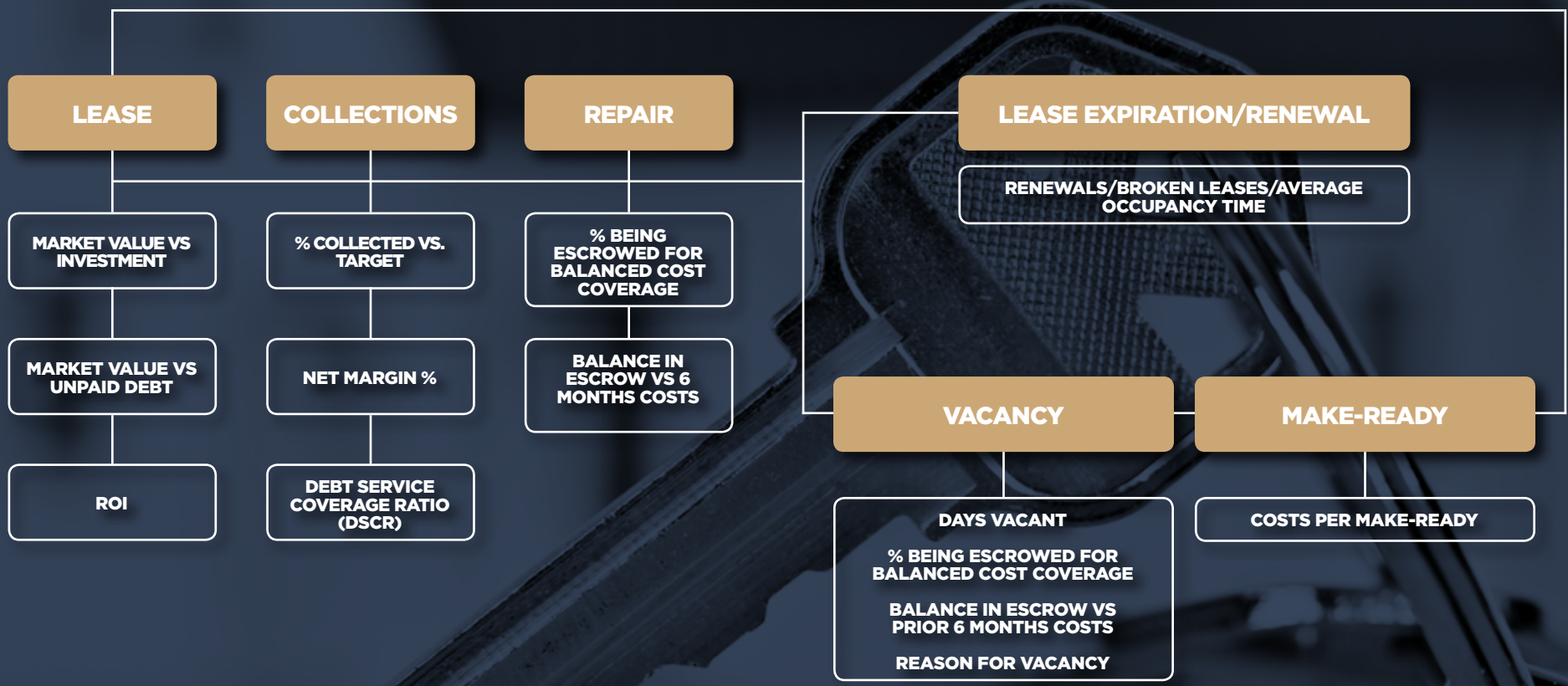
Non-payment

- » Processes to collect
- » Processes to send Notices To Vacate when they are late
- » Processes to evict or negotiate a workout with the tenant

Rental Management Flow



Rental Management Instrumentation



NOTE: Annual formula adjustment for escrow accounts - typically by portfolio

Rental Checklist Flow

LEASE	REHAB	LEASE	COLLECTION	REPAIR	VACANCY	MAKE-READY
PURCHASE CHECKLIST						
APPROVE A CONTRACTOR CHECKLIST						
	REHAB MONITORING CHECKLIST - TUES/FRI					
	CONSTRUCTION DRAW CHECKLIST					
		FINAL DRAW CHECKLIST				
		VACANCY MONITORING CHECKLIST - EACH MONDAY				
		LEASING/ MARKETING UPDATE CHECKLIST - EACH MON/WED/FRI <i>**ANSWERING SERVICE</i>				
			TENANT APPLICATION/ SCREENING CHECKLIST			
			AUTOMATED DUE/ PAST DUE EMAIL COLLECTOR CHECKLIST - DAILY			
				MAINTENANCE REQUEST CHECKLIST		
				MAINT REVIEW ACTION COMMITTEE - EACH MON/WED/FRI		
					VACANCY MONITORING CHECKLIST - EACH MONDAY AND MONTHLY	
						PRE MAKE-READY CHECKLIST
						MAKE-READY MONITORING CHECKLIST - TUES/FRI
						FINAL MAKE-READY CHECKLIST

Instrumentation

PAYMENTS ARE AUTOMATICALLY SPLIT INTO THE FOLLOWING BUCKETS TO STABILIZE AND SHOW ACTUAL INCOME INSTEAD OF HAVING SOME GOOD MONTHS FOLLOWED BY SOME BAD MONTHS.

- » investment yield
- » tax/ins escrow
- » repair escrow
- » vacancy escrow
- » manager escrow

MANAGER/PORTFOLIO INSTRUMENTATION

- » Total repair escrow account
- » Total vacancy escrow account
- » Actual rent collected %
- » Make ready costs and time vacant
- » Tenant retention/turnover

Automation/Reporting

- » Lease - Answering service (first touch only) and marketing automation report
- » Repair - Teamwork ticket/task management system - repairs_to_be_touched today report
- » Maintenance costs for the past 30 days (daily by prop)/make-ready costs for the past 90 days (monthly by prop)
- » Collections - beginning of day emails identifying who needs to be called
 - » Partial payment support
- » Tenant turnover report
- » Two click process to market for sale using 10 different techniques
- » Quickbooks automation

Property Owner Business Essentials

AS IN ANY BUSINESS ONE NEEDS TO UNDERSTAND THE REVENUE AND COST STRUCTURE AND OBJECTIVE. IN GENERAL, THE REVENUE IS SIMPLY:

- » Rent
- » AND/OR "Price when you sell"

The costs can be simply categorized as follows with sub-categories in parenthesis:

- » Debt
- » Repairs (capital expenditures (roof, major plumbing/ac/electrical, siding), maintenance, make-ready)
- » Vacancy costs (leasing fee, eviction fee, utilities)
- » Taxes
- » Insurance
- » HOA fees
- » AND/OR "Price when you buy plus improvements plus carrying costs"

KNOW YOUR OBJECTIVES:

- » Profit instantly (flip)
- » Passive now, income at retirement
- » Yield on idle capital
- » Inflation hedge

Once the objective, revenue and costs are known, begin shopping for products that move you closer to your objectives.

Geographical Independence

BEING "GEOGRAPHICALLY INDEPENDENT" PROVIDES A BROADER RANGE OF "BUYING OPPORTUNITY", BUT WITH SOME EXTRA POTENTIAL CHALLENGES. FOR EXAMPLE, IF YOU LIMIT YOUR "GEOGRAPHY" TO YOUR NEXT DOOR NEIGHBOR'S HOUSE, AND IT WILL RENT FOR \$1000 AND YOU CAN ONLY PAY \$60,000,

- » The owner may never want to sell period
- » The owner may wish to sell but not for \$60,000

Consequently, you may never get a "buying opportunity". Granted, it would certainly be more convenient but you'll be challenged to be able to buy.

Similarly, if you expand your "geography" to your subdivision, you've increased your opportunities – perhaps now you have 100 opportunities.

Similarly, your city may provide 100,000 opportunities.

Your state, ???

Your neighboring states, ???

Our objective: A PREMIER PROPERTY MANAGEMENT COMPANY WITH GEOGRAPHICAL INDEPENDENCE SO YOU CAN SCALE

