



PRIVATE MONEY UPDATE

Clear Sky Financial Newsletter

January 2016

Letter from the Editor

Happy New Year!

This month, we welcome Marge, a new investor with Clear Sky Financial. Her investment is through a self-directed IRA. In order to facilitate the investment she converted her traditional IRA into a self directed one through CamaPlan. She then assigned the self directed IRA funds to us and we are sending the IRA monthly dividend checks.

In December, we had a significant amount of loan "churn". Churn is when a loan pays off and the money goes out again for a new loan. We had four loans payoff totaling \$540,000 and originated five loans totaling \$927,000. Additionally, we modified one loan on a very valuable piece of real estate for \$266,500.

Food for Thought

Do any of you have an article you want to write or a business that you want to promote? We would be interested in promoting any business in the financial/real estate arena if it correlates with our finance company. Good examples would be articles from Title Companies, Mortgage Companies, Insurance Companies, etc. If you are promoting your business, you will need to include an informative article. As you will note, for the second month we have included our friends from CamaPlan on the back page of our newsletter.

Chuckle's Corner

"A hundred wagon loads of thoughts will not pay a single ounce of debt."

- unknown author



In This Issue

- Letter from the Editor
- Food for thought
- Sam's Corner— Investor Q & A
- Charlie's Corner—New Years Tasks
- Deals of the month
- CamaPlan—Self Directed IRA's



Your Private Money Team!

Sam's Corner - Investor Question & Answer

Why invest with us? The answer is Kung fu.

Kung fu is a Chinese term referring to any study, learning, or practice that requires patience, energy, and time to complete. It is only in the late twentieth century, that this term was used in relation to Chinese martial arts. Ultimately, Kung fu means supreme skill from hard work. A great poet can reach Kung Fu, a painter, a cook, or a laborer can also reach Kung Fu. Practice, preparation, endless repetition until you are too tired to move or think is required to reach Kung fu. That is the way, the only way, one acquires Kung fu.

Charlie and I bring you “real estate Kung fu”. We have spent more than 50+ years together building our real estate knowledge. We work together seamlessly to locate assets, locate borrowers, and find the best combination of leverage and physical improvement to transform an asset and unlock its value. Whenever you recommend us to your friends and colleagues, you can be sure that we are serious about our work. We apply the Kung fu mindset to all of our investments!

Does the Chinese stock market runoff have you and your friends concerned? We know that it is a lot safer to invest in real estate backed instruments right here in the Washington DC area than the international stock market. Bring your money home. Diversify your domestic stock portfolio! Move some additional funds into Clear Sky Financial today. We have capacity to place an additional million dollars a month of investor money every month in 2016!

Charlie's Corner - New Years Tasks

The New Year is here and there are many house keeping items that you should be doing as an investor. You should be collecting your 2015 receipts and statements to get organized for tax season. You should also prepare an income statement from the past year. An income statement is primarily a list of your income activities versus your expenses. This should be broken down monthly. The third task that needs to be completed is to either start a balance sheet or update your existing balance sheet. At Clear Sky Financial we track our cash flow daily and update the income statement and balance sheet on a quarterly basis. These financial statements support all of our banking relationships. All of the financial institutions that we work with require both an annual income statement and balance sheet along with our completed taxes. While QuickBooks supports all of our expense and income tracking, we generate quarterly income statements and balance sheet on Excel spreadsheets so we can tune them to reflect our business operations. The fourth and final task that you need to do as an investor is to calculate your LIQUIDITY. I spoke of this in a previous Charlie's Corner. LIQUIDITY is your cash on hand, plus borrowing availability on a short term basis. This borrowing availability can be in the forms of HELOC(s), credit cards, personal loans from banks and available credit with friends/family. It is always wise to understand your purchasing power so you can withstand upturns and downturns in your finances and take advantage of unique buying opportunities that present themselves.



Deals of the Month

This turned into a very a busy Holiday season! December was a hectic month. We originated five loans and received four loan payoffs; the loans originated amounted to nearly a MILLION dollars. We launched a new loan product targeted at real estate investors/flippers and they will love it. It is called the Purchase/ Renovation Loan. With this loan, if one of our borrowers gets a really good buy price on a property then we will finance the purchase and also lend them money for their renovation costs. We do this provided we have a safe position on the ARV (After Repair Value). We did one of these loans this month on Prout Street in Washington DC. Three other loan went out to flip investors. One of the flip loans was to our contractor who we have been working with for 15 years!! This is the second flip that he has owned himself. Our final loan for the month went to an existing client on a commercial property. We have been working with that client for over a year and a half and increased their loan balance materially with our latest transaction.

We had our first foreclosure out of the sixty five loans that we have originated. We were made financially whole at the foreclosure auction. The foreclosed property was a condo that was owned by the father of one of our clients. About eighteen months ago, we originated a 155k cash out loan on the property to pay for the father's expenses at an assisted care living facility. The property was worth 240k. When the father passed away, the estate could not convey the property to the son because the son had judgements that would attach to the transfer. So.... we worked with the estate and foreclosed on the house before the estate transferred ownership. At auction, the condo sold for 172k. We were pleased and our referring client was happy. As a matter of fact, the client will be referring his third deal to us in January!!

December Deals



Forest



Jefferson Davis



Light Arms



Park Brook



Prout



Private Lending with Self-Directed IRA's

It's a common misconception among Americans that the only investments allowed in a retirement account are stocks, CDs, and mutual funds. **The truth is that broader investment options such as private lending and real estate have been available to the public since 1975, the year contributions could first be made to IRAs.**

Why the confusion? Because the retirement industry has been dominated by large transaction-driven custodians who have focused on a narrow universe of investments. While these kinds of accounts may be right for some, they don't offer the kind of freedom that a self-directed qualified retirement plan offers.

To fully maximize your investment options, you need to have a retirement plan that allows you to select your own self-directed investments. **A fully self-directed retirement plan allows you the freedom to invest in many types of assets.**

A CamaPlan account provides investors with maximum control, allowing you to utilize personal experience and knowledge giving you true financial freedom. It leverages one's level of alternative investment education and expertise to alleviate risk while maximizing returns and profits.

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Contact Us

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How It Works For Investors!

We're with them at every step --



Opens a Self-Directed IRA



Funds Account—Transfers, Rollovers & Contributions



Chooses Investment, Completes Paperwork



CamaPlan Signs Documents & Sends Funds



View Account Online
See Profits Collected

Clear Sky Financial—Loans—Investment Opportunities



CLEAR SKY FINANCIAL

LOANS - INVESTMENT OPPORTUNITIES



PRIVATE MONEY UPDATE

Clear Sky Financial Newsletter

February 2016

Letter from the Editor

Happy New Year!

Happy New Year!!! We welcome Matt, who joins us as an investor in Clear Sky Financial. He is directly funding several deals in Maryland and Northern Virginia. Also we would like to congratulate Jamel and Rachel. They have been investing with us for 2 years as of this February. This month we also welcome two new high volume clients, Gohar and Martine. They will be doing 4 or 5 loans with us for flip investment between January and February. January was another busy month as we added another 4 loans to the books. February is shaping up to be a big month for loan paybacks. I will keep you updated. HAPPY SLEDDING!

Food for Thought

Do any of you have an article you want to write or a business that you want to promote? We would be interested in promoting any business in the financial/real estate arena if it correlates with our finance company. Good examples would be Title Companies, Mortgage Companies, Insurance Companies, etc. The only requirement that we is that you would need a good article that accompanies your ad. WHAT IS BETTER THEN FREE ADVERTISING?

Chuckle's Corner

"One can pay back the loan of gold, but one lies forever in debt to those who are kind."

-Malcolm Forbes



In This Issue

- Letter from the Editor
- Food for thought
- Sam's Corner— 401K Blues
- Charlie's Corner—Find Your "Angle"
- Deals of the month
- CamaPlan—Self Directed IRA's



Clear Sky Financial

Investment Opportunities

Your Private Money Team!

Sam's Corner - 401K Blues - Time to Change Your Investment Strategy

I have been enjoying steady returns, since investing my rollover 401k in alternative financing, aka: hard money. Recalling a discussion I had with my old investment advisor about what I would be missing prompted me to review last year's performance and write today's column. I reviewed the funds I would have been invested in had I not moved over to a self-directed IRA and invest in hard money. Both of my old investments were well diversified groups of equities that tracked the market averages. Last year's negative returns of -6.56% and -10.11% in the S&P tracking Fund and Dow Jones tracking fund, respectively, is in sharp contrast to the positive returns we earned on hard money lending. The difference is approximately 20% of my portfolio value.

Looking forward, I decided to see what the purveyors of 401k investing are saying these days. I reviewed the three largest 401k providers' websites to survey their investment commentary. Below you will find direct quotes from their websites along with my commentary in italics.

Vanguard Group – “Less risk through more diversification”; “Lower costs”; “Professional Management”. *Less risk... really? Less than what? Lower cost- I like this one. It is a good math problem for your 9th grade kid; if you save on trading fees but lose 10%, how much cost savings are achieved? Their comments about Professional Management must be code for “Investors pay our high salaries.”*

Fidelity Investments – “Base-case 2016 scenario: Muddle through”; “Expect elevated volatility”; “Typical late-cycle performance patterns for financial assets”. *Muddle through... ok, let's just say we have a different view on what to do with our assets. “Elevated volatility” is Fidelity's code phrase for, “don't call us when the market slams your head against the wall.” I have an MBA and I can't figure out what “typical late-cycle” performance is, but it doesn't sound like something I'd like to experience.*

Blackrock – “Finding bargains after the selloff”; “Gauging the potential impact of the 2016 election”. *I wish they would tell you which of the stocks they sold you before the selloff would be bargains later. Regarding the election cycle... after not telling you that the stocks they sold you earlier would be bargains now, they are going to speculate on the election impact on investments. - In Las Vegas they call this a parlay bet.*

So just think about it again. Isn't it time to convert your 401k into a self-directed IRA and invest in something local that you can understand and manage?

Charlie's Corner - Find Your “Angle”

I was listening to Russell Brunson's podcast the other day and he discussed something that's super important to all of us in real estate. In case you don't know Russell, he's a top-notch marketer and entrepreneur running online and offline companies. Since he was a collegiate wrestler, he started off with the analogy of finding his angle in order to score a takedown on an opponent. He said that finding his niche angle in business was what allowed him to really score in business, just like wrestling. This would consistently let him gain an advantage over the competition.

In real estate investing this is a huge lesson to learn. The top players, doing a lot of deals and making the most profit per deal, know their niche exactly. They know the areas where they buy, the property types, and the exact cost of renovation. They know their formula for success and repeat it over and over again. We see a lot of newer investors dabble in real estate investment without ever really honing in on one niche. This approach can lead to trouble. Real estate investing is partly about finding great deals but it's really about execution. A great deal can easily turn into a break-even deal (or even a loser) with poor execution. And the easiest way to execute well is to find a formula and do it over and over again. KEEP IT SIMPLE!!



Deals of the Month

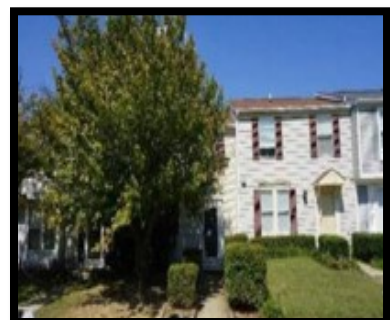
January was slower than December but it was a good start to the new year. We originated 4 loans and received 1 pay back. Of the 4 originations, 3 were first trusts and 1 was a second trust used for debt consolidation. Of the 3 first trusts, 2 were for flip investors and the other was for a buy/hold investor who is going to refinance us in 7 months or so. In February we are anticipating 4 - 5 loan payoffs.

We launched a new loan product targeted at real estate investors/flippers and they love it. It is called the Purchase/Renovation Loan. With this loan, if one of our borrowers gets a really good buy price on a property then we will finance the purchase and also lend them money for their renovation costs. We do this provided we have a safe position on the ARV (After Repair Value). We did one of these loans on Prout Street in Washington DC. Where do we make money on this? We make it on the rate, points and draw fees for the renovation. The investor has to present us with renovation milestones. Once each milestone is met then we inspect the property and give them a draw for the next round of renovations.

January Deals



8205 Comet Place



4704 Still Place



8625 Leroy Place



10102 Mike Rd.



Private Lending with Self-Directed IRA's

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Why the confusion? Because the retirement industry has been dominated by large transaction-driven custodians who have focused on a narrow universe of investments. While these kinds of accounts may be right for some, they don't offer the kind of freedom that a self-directed qualified retirement plan offers.

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Clear Sky Financial—Loans—Investment Opportunities



**CLEAR SKY
FINANCIAL**
LOANS - INVESTMENT OPPORTUNITIES



PRIVATE MONEY UPDATE

Letter from the Editor

Spring!

March was a HUGE month. We originated 9 loans, modified (and) 1 loan, and extended the term of 3 loans!!! The loan volume was 935K. The extended/modified loans are first trusts. The originations were 7 first trusts and 2 second trusts. We had 3 paybacks totaling about 560K. March is shaping up to be a big month for loan paybacks. We will keep you updated.

Food for Thought

If you have an article you want to write or a business that you want to promote? We would be interested in promoting any business in the financial/real estate arena if it correlates with our finance comparison column. Good examples would be Title Companies, Mortgage Comparison Companies, etc. The only requirement that we have is that you need a good article that accompanies your ad. WHAT IS THE POINT OF THEN FREE ADVERTISING!!

Chuckle

"Money wants to find itself... happy... but it wants to find itself... themselves"

-Zig



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- Charlie's Corner— Follow the Lemmings
- Sam's Corner— In Success Explains
- Deals of the month



Clear Sky Financial

Investment Opportunities

te Money Team!

Charlie's Corner - Do Not Follow the Lemmings

DON'T FOLLOW THE LEMMINGS (Managing Change in Real Estate). There is an expression that says "do not follow the Lemmings". When one lemming jumps off a cliff, the rest tend to follow even though it is detrimental to their health. This expression is warning you not to follow the masses. This is a warning in your real estate business. One of the key factors of success in real estate is separating yourself from the competition. If you are an agent, each agent is your competition. If you are an investor, you are your competition. You have to advertise differently, you have to deploy different investment strategies, and more importantly you have to keep up with the CHANGING REAL ESTATE MARKET. We have been very fortunate in our business by not only staying away from the lemmings (masses) but also by being more conservative when the market changes. Here is a bit of our history: From 2001 - 2007 we were active as well as preforeclosure buyers. The market was rising from 2001 - 2007 and there were a lot of foreclosures that had a lot of equity. We offered several programs to help these people out. When the market started to veer, we started to see the price wall. Houses were no longer appreciating and the days-on-market were starting to rise. We slowed down our buying. We observed the beginning of the market decline and became more conservative in our investment strategy. What we did not foresee was how big the decline was going to be. So, once prices started coming down I was in the mode of starting to find a nice home for myself. It took me two years to buy my primary residence because I kept missing out on homes in a great neighborhood that I wanted to live in. While I was searching for my own home in late 2007, I started Real Estate Owned (REO) real estate. One day I missed a foreclosed house that I wanted to buy. I picked it down to an asset management company in California (RES.NET) and they had already assigned it to an agent to be put up for sale. I immediately signed up for RESNET and started doing full-time work for listings. Because of this early move, we were one of the first groups to start getting hundreds of REO listings from banks. The banks were trying to dump their assets; they would price them low and they would sell. This gave us a good 3 year run selling the bank listings. We had a lot of success before the rest of the agents (lemmings) started getting involved. The number of REO listings, the number of agents in the REO business increased, so we CHANGED. We kept our REO business focused on what we had already been going to the courthouse auctions from time to time just to see what was going on. A CHANGE was taking place. The banks changed their REO strategy and started dumping assets as a way to get more steps to investors at LOW prices. The primary asset type was older housing stock that was not doing well. So.... starting in early 2009 we CHANGED again and started buying houses at the courthouse auctions. At first we flipped most of the houses and kept some in our rental portfolio. We flipped houses. We were still doing REO listings, some preforeclosure buys, and now courthouse flips. So the market changed and went and in 2010 the banks changed again and started dumping the newer assets as well. Another CHANGE! Instead of buying 5 and flipping 4 we started keeping more in our rental portfolio. For this reason, we could get newer assets where we were getting more than 100 times rents. Based on this, this is our barometer for keeping a house. For example, if the rent is 1,600 a month, and our investment is 160,000 or less, and the property had room for upside, we kept it. SIMPLE FORMULA!! It has come to our latest and hopefully last CHANGE (I know better). In early 2012 the auction market became infested with investors who were overpaying for houses at the courthouse auctions. The market got really thin and it became more risky. You can now actually buy a house at the courthouse auction and lose money if you overbid. So.... guess what..... WE CHANGED AGAIN. We started our business in November 2013 and became a HARD MONEY LENDER. We still do all the above but we are constantly adding/changing as the real estate market changes. So..... you are probably asking you



Sam's Corner - Investor Success Explained Information asymmetry and expert execution

Many people invest in real estate. Have you ever wondered why some investors succeed financially while other investors thrive? The answer lies in understanding information asymmetry and predictable execution. When you master both of these drivers, you have a Juggernaut that is an unstoppable formula for success.

In contract theory and economics, information asymmetry deals with the situation in transactions where one party has more or better information than the other. It may seem esoteric; however, we apply it daily. When we price houses that we are buying or will lend on, we rely on much more data than an appraisal. We consider the quality of the neighborhood, the influence of shopping and commuter traffic, the market trends for houses priced in the associated price range, and the value change associated with remodeling the property. Beyond that, we rely on deep levels of information gathered over a long period of time about foreclosure rates, competitors in our space, and about the seller's true motivation for asset disposition. We have put together sophisticated strategies for tracking all of this data on a daily basis. When we evaluate properties, we have a single minded focus on understanding all of the details that have been overlooked by prospective buyers and lenders.

Information alone will not make a deal happen. Expert execution is the additional element needed for success. When you watch an expert, like a master chef on TV, you think, "wow, that looks easy". The reason it looks easy is because they have done it so many times that they have very predictable outcomes based on precise behavior. Investment in real estate is essential, but you can't fumble once you get it under contract. You must move/close quickly, not lose the deal, control costs and have appropriate leverage. Again, we focus on execution and measure our actual performance against our goals. Performance to continuously improve. If you have questions about a real estate opportunity, ask us and we will let you know how we would approach the opportunity.

... wanted to give you an update on it. Our affiliated company, Clear Sky
 purchased this property from an auction web site for 280K. The property had
 (Value) between 390K - 425K. So.... instead of keeping it we assigned
 contractor and gave him a hard money loan for 280K. This was his first
 put in about 55K in renovation costs. We (Green Dot Realty) sold it for
 from the date of purchase, for 430K and 10K back in seller subsidy. He
 And.....both Clear Sky Financial and Green Dot Realty made money
 as well.

Give us a call for
 information about
 services and prod

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Property Deals



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7125 Oakland



5342 W. Boniwood



702 A Barrington



4207 Quigley





PRIVATE MONEY UPDATE

Letter from the Editor

Happy April and TAX DAY!!!

We want to welcome three new investors to Clear Sky Financial. Welcome to Kevin/Nita, Jason/Julie and Chris/Claudia. March was the first month that loan paybacks outnumbered and outdollared (new word) loan originations. We originated 3 loans, modified (increased) 1 loan, and had 4 loans payback!! The origination loan volume was 508K. The loan originations were all first trusts. We had 4 loan paybacks totaling about 877K. We had thought March would be a good payoff month and it went as planned. The beginning of April appears to be a really good month for loan originations!! Stay tuned!!

Food for Thought

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Chuckle's Corner

*If you think no one
cares you're alive,
miss a couple of
house payments.*

- unknown author



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- Letter from the Editor
- Food for thought
- Charlie's Corner— Attention Beginner Real Estate Investors
- Sam's Corner - How Many Stones are There?
- Deals of the month



Clear Sky Financial Investment Opportunities

Your Private Money Team!

Charlie's Corner - Attention Beginner Real Estate Investors: Do Whatever it Takes to Succeed!

I am sure you have seen the videos, the television commercials, and the banner ads all over the Internet that say, "Make \$20,000 in the next 20 days" or "Wholesale a Property for \$10,000" or "Buy Income Producing Rental Properties with No Money Out of Pocket."

I will be the first one to tell you that it is possible to do all of those things. My business partner Sam and I have personal experience with deals like this and a lot of our real estate investor clients do as well. That being said, real estate is difficult and risky and you need to make sure you are doing the following things in order to succeed.

Educate Yourself - Pretend you are back in school and you need to read a book or study for a test. You do whatever you have to get the best grade on that test and in that course. You should certainly be consuming all the information you can about your new career in real estate, the industry, strategy, etc. You need to constantly be educating yourself, following mentors, and consuming content related to all aspects of real estate investing. Even experienced real estate investors continue to educate themselves to get better at their trade. They regularly read books, listen to pod casts, take courses, and attend boot camps and events.

Shadow an Experienced Investor - Instead of getting your hands dirty when you are completely green, follow someone around while he or she gets their hands dirty. I believe all new investors should figure out a way to shadow someone who knows exactly what they are doing. Go to a local real estate investment group—a Meetup or networking group—and ask someone if you can buy them lunch or coffee to chat. Or better yet, throw them a few hundred bucks and say, "I would love to shadow you and learn from the best. I promise to stay out of your way, but I am curious to see how you market, negotiate with sellers, find capital for deals, manage construction, etc..." Tell the person you want to learn all about the industry and are willing to pay for his or her help. It would not cost that much and I am sure you will find someone who would be more than happy to help you. Something I have learned about successful people is that they like to talk—about the good and the bad. A lot of them are open books who would love to share stories with you related to how their real estate transactions work. So let them help you succeed.

Coaching, Consulting, Mentoring - After you have a grasp of the business and are ready to start investing, make sure you have someone who can help take you through the process. Someone who looks over your shoulder, who can coach, consult and mentor you. It can be someone who will do it for free or someone whose services you retain. Better yet, it can be a partner who helps you navigate the transaction on a deal you are working on with a split profit share. Can you do it yourself? Yes. Can you save lots of time and money by having someone experienced help you? Absolutely. You do not realize what you do not know and chances are that your new mentor or coaching partner has been through it before and will fast forward you along the learning curve.



Sam's Corner - How Many Stones are There?

You've all heard the old adage "turn over every stone". It is an idiom meaning to do everything that you can in order to achieve something or to find someone or something. No expression better captures what is involved with the pursuit of real estate investment opportunities. Two aspects of the expression characterize our business. First, it is a matter of repeating the same pursuit relentlessly until a success is identified. Secondly, it is connecting people and places that are seemingly unrelated over a long period of time.

Relentlessly pursuing opportunity means renewing our optimism about each new opportunity that presents itself and not becoming negative after evaluating projects that won't work for us. Each day we evaluate several opportunities in detail. On average, we create a deal for about one in twenty opportunities evaluated, that is a 5% pull thru rate. However, each evaluation event has about the same probability of success. The odds are not cumulative. Therefore, we can find three opportunities in a row or we can go through forty evaluations and not find a deal. The important thing to focus on in this part of the business is doing the evaluations consistently and from a positive point of view. Consistency in doing this has paid off for more than fifteen years in a row.

As part of turning over every stone that means you are doing everything to look for something. For us, that means telling people about what we are seeking. We tell everyone about what we do in Real Estate. We don't tell them with the intention of triggering an instant deal or even producing a deal directly from someone. We tell them so that they can reliably connect us to friends and associates that have needs. At least half of the time we are evaluating a deal, we already have a connection to it. That is to say that one party in the transaction knows somebody who knows us personally or has done business with us previously. We are very rarely more than one degree of separation away from knowing any person who is doing business with us. How does this happen in a city of millions? It happens because over fifteen years, Charlie and I have spent every day telling everyone we meet about what type of work we do and how we can help people they know. So it seems that there is an endless supply of stones to turn over!

Deals of the Month by Charlie

The deal of the month actually came outside of our hard money business. It was a condo buy in DC. As you know we also flip houses. This deal came from my son Cory. He put out about 50 bandit signs out with my phone number on it. A bandit sign is basically a sign that says "WE BUY HOUSES CASH". Now, I did not really appreciate this because my phone rings off the hook for two/three days. I received calls from landscapers, home improvement people, etc. I even had the County threatening to fine me \$100 a day if I did not remove a sign that was in a right of way area (whatever that meant). So, these signs were placed out in the beginning of November. Well, one of the signs survived until the beginning of March even through the snow storms. We got a call from a local person who had parents that wanted to just dump their condo in DC. so... we bought it. The condo needs about 30 - 40K in work and we will make a nice profit. So.... who would have thought that bandit signs sometimes work!!!

Contact Us

Give us a call for more information about our services and products

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March Deals



4632 A Street SE



5434 C Street SE



5434 Hope Road



10535 Cedar Ave

Clear Sky Financial—Loans—Investment Opportunities



CLEAR SKY
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PRIVATE MONEY UPDATE

Letter from the Editor

Happy May!

We cannot believe that Spring is already in full swing. As I write this Mother Nature is clearly confused in the DC Metro area. May is the new April with 11 straight days of rain. We want to welcome a new investor to the fold as well as other current investors upping their ante. We would like to welcome Debra! April was another good month. We originated 5 loans, modified (increased) 1 loan, and had 2 loans payback!! The origination loan volume was 860K. The loan originations were all first trusts; however, the loan categories differed. We had 1 construction loan, 2 flip investor loans, 1 buy/hold loan, and 1 owner/occupied loan. The O/O loan was actually a loan assignment from our attorney who originated the loan. We had 2 loan paybacks totaling about 500K. May could be our first MILLION DOLLAR month as the current pipeline is showing 1.8M as this is going to print. The pipeline is known to change daily so.... it might get smaller (more likely) or it could grow!! Yikes!!

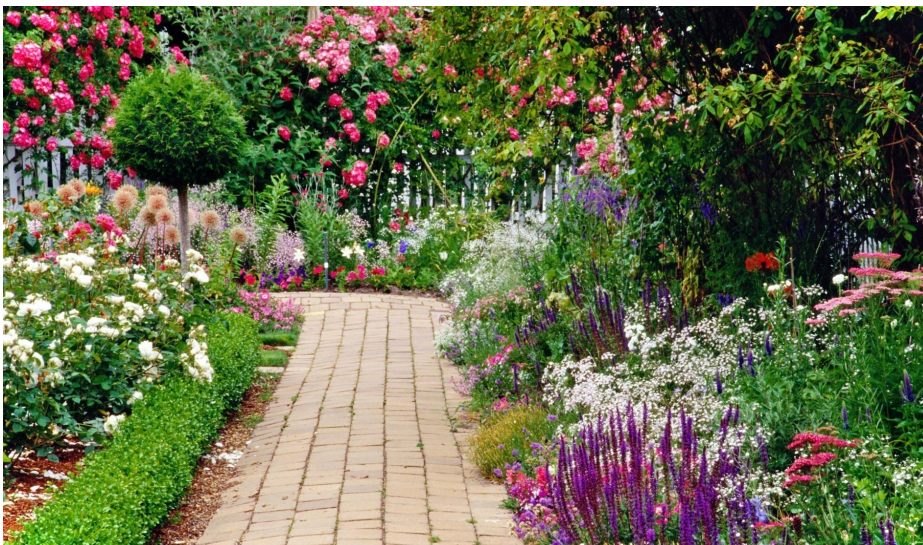
Food for Thought

There is a real estate investor convention coming to National Harbor. Sam and I are slated to be doing a presentation at the conference as well as having a booth. The dates are June 18. Come out and see our presentation. It will be on Saturday June 18. The title is going to be "How to Find Distressed Assets".

Chuckle's Corner

*"No man's credit
is as good as his
money."*

- E.W. Howe



In This Issue

- Letter from the Editor
- Food for thought
- Charlie's Corner - 7 Core Tenets of Investing - Part 1
- Sam's Corner - Opportunity investment - Washington DC
- Deal of the month



Clear Sky Financial

Investment Opportunities

Your Private Money Team!

Charlie's Corner - 7 Core Tenets Of Investing, Successful Wealth Builders know to be true! Part 1 of 3

Tenet #1: INVESTORS NEVER SPEND THE PRINCIPAL

Investors understand this fundamental concept to the core. It is the root of capitalism — and the great divide between the 1% and everyone else. If I could sum up the key to wealth preservation in one phrase it would be this. Never, ever spend the principal. If you abide by this rule, you, your children, and your children's children will be taken care of financially until the end of time. This is a concept that goes over a lot of newer investors' heads. Let's dive into what I mean by never spend the principal. When you invest a dollar, you need to think of that dollar as gone. Out of your life. Forever. You never use it to buy coffee, a house, pay for Junior's college, your retirement expenses, or anything else. That dollar is to be put to work generating returns for you, forever.

Let's use this (too simplistic) example to demonstrate the part of the investment you never touch:

I have \$100,000 and buy a rental property for the same amount. A year goes by, and the property generates \$1,000 per month for 12 months, and the property is now worth \$110,000, as it appreciated in value. I sell the property, collect my cash, and walk away.

My situation a year from now is this — I have \$122,000 in the bank. Not accounting for tax, my return includes the \$12,000 in rental income and the \$10,000 in appreciation — a total gain of \$22,000 or a 22% return on investment (ROI). The other \$100,000 of that money in the bank is the principal I used to invest in the first place.

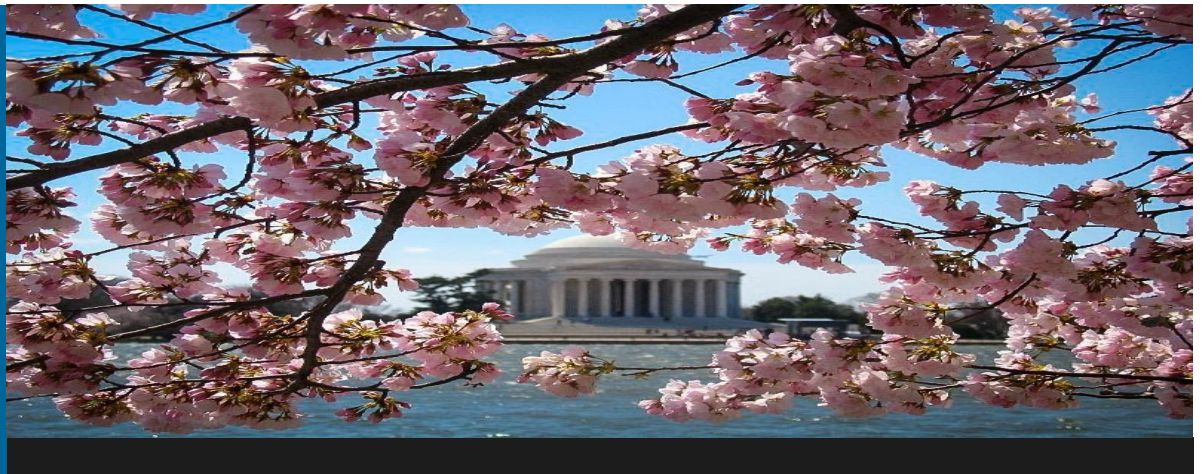
I can spend the \$22,000 I generated from this property without depleting my wealth, but if I spend more than that, then I have less than I started with. I would not even for a second consider spending anything beyond that \$22,000. The original \$100,000 is not to be touched and instead should be reinvested in the next property. To spend that money would violate a core tenant of investing — and instead of building wealth, I'd destroy it. true investors don't get into that situation.

Tenet #2: INVESTORS MUST REINVEST MOST OF THE INVESTMENT RETURNS

Investors also understand this fundamental concept to the core. It is the root of true wealth and the great divide between the 0.01% and everyone else. If I could sum up the key to becoming truly wealthy in one phrase it would be this: REINVEST BOTH THE PRINCIPAL AND THE MAJORITY OF YOUR INVESTMENT RETURNS!!

Back to the example of the rental property above. If you've gone from \$100,000 to \$122,000 in wealth as a result of your investment, you can't expect to get any richer by spending that \$22K! Instead, you need to reinvest that \$22K and buy a \$122,000 property. The larger, nicer house will generate more rent and perhaps more dollar gain in appreciation than the first one, and your wealth will grow faster and faster as you repeat this each and every year, buying more and more properties.

The point of investing is to build wealth and improve the quality of your life or the lives of others, so make sure to enjoy the benefits. But, be careful not to spend the principal and to reinvest the majority of the returns. If you do this right, your principal should produce wealth for you and your heirs to enjoy forever and ever.



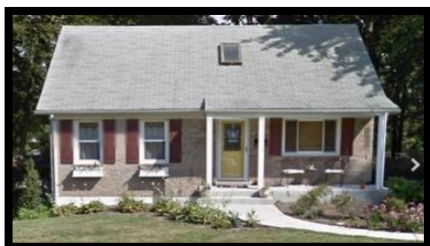
Sam's Corner - Opportunity Investment – Washington DC

The May 8, 2016 Washington Post Newspaper ran a detailed article on price appreciation in the Washington DC metro real estate market. In summary, the most crime ridden lowest cost areas of Washington DC have appreciated the most in recent years. In June of 2014 we started lending in DC with our first loan on Minnesota Avenue NE in the Deanwood subdivision. An investor who we knew well from the Prince William County auctions asked us to finance her project. She walked us through the comps and we understood the upside. As we spent more time in DC reviewing comps and understanding the buyer profiles, we really began to understand the opportunity in redeveloping neighborhoods. So what happened in DC that made this revitalization possible? In the parts of town that are being gentrified, it is fairly obvious what is happening. High income young people are displacing older long-time residents, remodeling homes, and changing neighborhoods. This has its obvious good and bad impact on the community. More interestingly, why are neighborhoods that don't border affluent areas being revitalized? Here is a highly simplified view of what has happened. After 2005, a lot of homeowners in DC were upside down in their homes. Instead of letting the market work and evicting residents from foreclosed homes, the DC government effectively prohibited foreclosures on owner occupied properties. This brought the DC lending market to a grinding halt and crushed the interests of lenders with defaulted assets in the City. Such lenders have virtually no voice since they profited from loan products that have since been categorized as "predatory" in nature. I don't think there has ever been an article in the newspaper that describes how lenders can't foreclose in DC. At the same time, a lot of people who grew up in historically poor neighborhoods were working in the City again at well paying jobs. These people have a personal interest in revitalizing the neighborhoods that they grew up in. They want homes that are built to a modern standard and are willing to live in high crime communities to help them change for the better. To enable buyers to acquire remodeled homes in historically poor areas, DC came up with the HPAP program. The Home Purchase Assistance (HPAP) program provides interest-free loans and closing cost assistance to qualified applicants who are purchasing a home. The loan is subordinate to a private first trust mortgage. As of 2015, eligible applicants can receive a maximum of \$50,000 in gap financing assistance and an additional \$4,000 in closing costs assistance. The HPAP 0% interest loan is deferred for the first five-years, and amortized over 40 years. The maximum first trust loan amount cannot exceed \$417,000, the conventional conforming loan limit. It is this HPAP product that has made housing much more attractive to buyers at the lower price points in redeveloping neighborhoods. So we see all of this opportunity being created for investors because of the government's aggressive disruption of the marketplace. The government is picking winners and losers in the housing market. The role of the savvy investor is to know where to be in a changing market.

Deal of the Month

The deal of the month is basically a deal that WE DID NOT DO!!! In private lending there are many pitfalls. The obvious pitfall is that you need to make sure the asset is worth a lot more than the money being loaned out on it. This is our biggest strength. However, there are other pitfalls that are not so obvious. Another pitfall has to do with the title of the property. We had a property in MD that was owned outright, meaning there was no mortgage debt associated with the house. The house had an ARV (After Repair Value) of about \$250,000. We were going to be in First position for about \$50,000. The current owner was going to use the loan proceeds to pay back-taxes on the property. They had just inherited the property and recently resolved associated title issues. The day before we were supposed to send out the \$50,000 we received a notification from our attorney that the house had been transferred to another owner. The new owner had acquired the property through a tax lien process called quiet title. If we would have loaned the 50K, we would have been involved in a title insurance claim - which we would like to avoid. So.... sometimes the BEST deals are the ones that you do not do!!!

April Deals



4534 Kendall Dr.



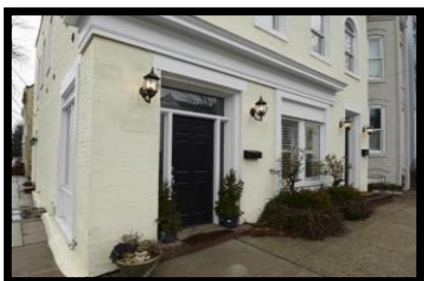
3201 Manning Ct.



9015 Little Stone Dr.



113 Kinloch Dr.



921 Cameron St.



5295 Merry Oaks Rd.

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Clear Sky Financial—Loans—Investment Opportunities



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PRIVATE MONEY UPDATE

Letter from the Editor

Happy June!!

We cannot believe summer is right around the corner. We want to welcome Derek and Sandra as new investors. May was another steady month. We originated 4 loans, and had 4 loans payback!! The origination loan volume was 760K. The loan originations were all first trusts. However, the loan categories differed. We had 3 flip investor loans and 1 owner/occupied loan. The O/O loan was actually a loan assignment from our attorney who originated the loan. We had 4 loan paybacks totaling about 800K. June will be our first MILLION DOLLAR month as we have a 1.1 MILLION dollar loan going out plus others.

Investors are you interested in doing an ACH transfer instead of receiving checks?? If so, please let us know. We have successfully implemented an ACH transfer with one of our investors and it did not wind up in MY ACCOUNT!! ACH is basically an electronic transfer of your funds.

Food for Thought

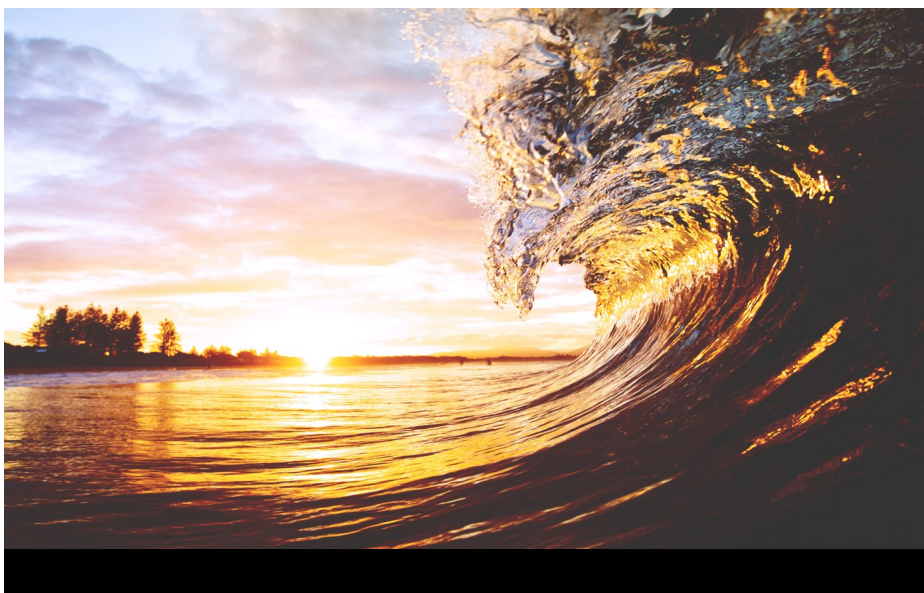
There is a real estate investor expo coming to the Gaylord at the National Harbor. The expo will be put on by Think Realty. Sam and myself are doing a presentation at the conference as well as having a booth. The presentation will be titled "How to Find Distressed Assets". I had the incorrect date last month!! It will be on **Saturday June 18 at 10:00AM**. Come out and see our presentation.

Chuckle's Corner

Q: Why did the investor put his money in the freezer?

A: He wanted a hard money investment.

- Anonymous



In This Issue

- Letter from the Editor
- Food for thought
- Charlie's Corner - 7 Core Tenets of Investing - Part 2
- Sam's Corner - New Opportunities
- Deal of the month



Clear Sky Financial Investment Opportunities

Your Private Money Team!

Charlie's Corner - 7 Core Tenets Of Investing, Successful Wealth Builders know to be true! Part 2 of 3

Tenet #3: TO INVEST, ONE MUST HAVE CAPITAL

You cannot invest capital unless you have it. And you cannot get capital without earning/inheriting it and keeping it. This is why there is such a great divide in wealth in America. In spite of the fact that America has a relatively low cost of living and that we have one of the highest median incomes in the world, just about everyone in the country fails to accumulate significant capital in their lifetimes. Want to get into investing, building wealth, or achieving financial freedom?

KEEP THE MONEY YOU EARN!!! DON'T SPEND IT!!

The only way to accumulate capital with which to then truly invest is to either earn or receive it as a gift — and subsequently not spend it.

Tenet #4: INVESTMENT RETURNS DO NOT CORRELATE WITH EFFORT EXPENDED

You know that guy at the office who spends all day talking about his stock picks and portfolio? The guy who meticulously studies the market, looking for undervalued stocks? That guy puts in a lot of enthusiastic effort and he's got this righteous attitude about how he's doing it better than you. Unfortunately for him, he's wasting his time. His efforts picking stocks, one at a time, timing markets, and otherwise trying to outperform Wall Street are utterly wasted, as he could simply invest in an index fund and almost certainly earn better long-term returns. I find it interesting to write about this topic because many investors get riled up when they hear that something that they put a lot of time and effort into is statistically worthless.

Of course, keep in mind that any investment that at least outpaces inflation can make one wealthy. Even poor investors can become wealthy so long as they reinvest most of their returns. This fools some folks into thinking that their efforts are producing wealth for them, when they would really be better off doing nothing! Luckily, you won't be one of those guys because you recognize that unless you want to devote a career to Wall Street and learn to live and breathe the nuances of the public markets, or alternatively, spend a lifetime finding, managing, and systematically buying and improving excellent companies, you would be better off investing in index funds. Far too many amateur investors with net worth below \$1M attempt to pick stocks and beat the experts in public markets.

And there is simply no correlation between their efforts and their returns.



Sam's Corner - New Opportunities -

Our business has evolved significantly over the past sixteen years. We have worked as brokers/agents, flippers, investors, and hard money lenders. We began our work in Fairfax and Prince William Counties and expanded to cover deals from Fredericksburg Virginia to Maryland and the District. We moved into these different lines of business and markets as our knowledge and resources grew. So, it is worth reviewing what business principles we rely on when we explore new opportunities.

The idea that **we move forward from a position of strength** is key to doing something new. As simplistic as it may seem, a person/organization can know their strengths but they cannot know what they do not know. So as an example; when we started working in the District doing renovations what did we know? We were a DC licensed brokerage and had sold homes in the City and we were experienced flippers in Virginia. What we didn't know about DC were the intricacies of construction permitting and the way in which buy opportunities are identified. Since we didn't know these things, we made sure that other members of our extended team understood them well. Our contractor was familiar with the permitting process and hired permit expeditors. One of our long term hard money clients took the time to introduce us to the tight community of Realtors who sell distressed homes in the City. Building on our experience and getting help in areas where we didn't have knowledge enabled us to enter this market and thrive.

Making decisions for the long term is the second tenet of our expansion strategy. We don't enter a market or a project with the idea that our long term success is predicated on our first endeavors outcome. Sometimes there is a steep learning curve. If a flip in a new market is somewhat speculative, we enter that transaction knowing that it could end up being a learning experience from which we will build. After having completed more than 250 flips, there are still plenty of opportunities to learn. When we are lending we focus on risk mitigation. We only begin lending in markets in which we have deep knowledge. If a borrower wants an LTV that exceeds our comfort level, we simply stand firm at the LTV that suits us. We let the borrower know that we are in business for the long term and that if that particular deal doesn't work for them, we will be available to them in the future on something that works for both of us.

Deal of the Month

The deal of the month is a flip deal that WE DID NOT DO but decided to lend on!!! The property was 121 Manassas Drive. A frequent customer came to us with the intent on flipping (wholesaling) the property to us. He had a contract to buy the property from the former owner. He wanted to take the contract and assign it to us and make a little premium for the assignment. We would then have to renovate and flip the property ourselves. When I visited the property, I found that it needed a TOTAL renovation and the profit would have been too small because of the assignment fee/premium. So... instead of buying it, we gave our customer a loan to buy the property so he could fix/flip it. Now, the loan amount was around the price that we would have paid for the property without the premium. So bottom line is that we gave one of our frequent borrowers another loan. This will be his 4th or 5th loan.

Contact Us

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May Deals



1221 17th street



4820 Bass Pl SE



121 Manassas Dr.

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PRIVATE MONEY UPDATE

Clear Sky Financial Newsletter

July 2016

Letter from the Editor

Happy July!!

Summer is here!! We hope you had a great 4th of July. We want to welcome Don and Aimee as first time investors, and thank you to those investors who increased their holdings. June was a GREAT month. We had our first MILLION Dollar month. We originated 5 loans, and had 3 loans paid back!! The origination loan volume was 1.9375 MILLION. So much for getting over the MILLION Dollar mark. The loan originations were all first trusts. We had 3 loan paybacks totaling about 650K. July looks to be another busy month.

Food for Thought

Thank you to all of you who came out to see us speak at the National Harbor and at the Cap Cities Real Estate Investor Meeting. It was nice seeing you all. We hope the presentation was insightful. Hopefully it helped you better understand the ways we try and mitigate the risk on our lending assets!!

Chuckle's Corner

*A bank manager
without anyone
around may find
themselves a-loan*

- Anonymous



In This Issue

- Letter from the Editor
- Food for thought
- Charlie's Corner - 7 Core Tenets of Investing - Part 3
- Sam's Corner - Summer Strategy
- Deal of the month



Clear Sky Financial

Investment Opportunities

Your Private Money Team!

Charlie's Corner - 7 Core Tenets Of Investing, Successful Wealth-Builders know to be true! Part 3 of 3

Tenet #5: INVESTMENT RETURNS ARE IMPACTED BY KNOWLEDGE

Interestingly, one of the reasons why folks attempt to pick stocks is because they haven't bothered to read dozens of books on investing. They are ignorant of the math and philosophy behind why successful investors suggest not picking stocks. Thus, it is their lack of knowledge that leads to worthless efforts. This is sad news for those of us who have devoured countless amounts of material on the subject. We know that knowledge can be incredibly powerful to our long-term financial positions and investment returns — if applied correctly to businesses that we have some control over.

For example, my knowledge of the Northern VA, DC and MD real estate market and real estate investing fundamentals have produced excellent returns on many properties here. Similar knowledge could not have helped me earn higher returns in the stock market, as I do not have control over the companies one can publicly invest in. Here in VA, the returns I generated from real estate were fairly predictable, if my prediction from last year is at all credible. While I did put in some effort, most of my efforts involved becoming deeply familiar with as many fundamentals of real estate investing as humanly possible. Everything from how to analyze a property and market to how to screen tenants, protect the property, do due diligence, and read and study contracts. That type of effort involved accumulating knowledge.

The physical exertions and time spent actually “working” on the investment — my efforts — were relatively small and can be almost entirely outsourced to property managers, handymen, and contractors for the most part. In fact, my time was probably more valuable than the time spent actually doing the labor on the project — or in other words, my efforts actually negatively impacted the return! Without knowledge, so much can go wrong for those that seek to invest and build businesses. And the problems that can result won't just reduce your return, but can destroy the principal that you've invested, too!

Tenet #6: INVESTORS DO NOT CONFUSE VOLATILITY WITH RISK

“Aren't stocks risky!?” Whether or not an investment is risky depends on what you mean by “risk.” I'm here to tell you that stock investing (or at least the stock market in aggregate) is not risky. Folks who tell you that stocks are risky do not understand the definition of risk very well. Now, stocks as a group ARE volatile. Bonds, as a group, are less volatile. This is an important distinction that many people who refer to themselves as investors (but lack fundamental knowledge of investing) fail to understand.

While we do see that stocks are more volatile than bonds, they are not more risky. It annoys me that financial advisors, major media outlets, and consequently, your average investor have it drilled into their heads that stocks are riskier than bonds.

Note: If you plan to spend the principal of an investment, then do NOT use this definition of risk. You aren't investing in that case. You're “saving up” and in violation of the very first tenet listed here. Understand risk, folks — risk must be considered in relation to your time horizon. Volatility in the short-run is tolerable. A voluntary, statistically certain long-term reduction in wealth is not.

Tenet #7: THE BEST INVESTMENTS ARE SPECIFIC TO THE INVESTORS PERSONAL SITUATION

Most people, especially those with low net worth, fail to understand that great investment returns do not come from typical investments in the stock market, bond markets, or even in passive rental property investing. Instead, the greatest investments I've made (financially speaking) have been in things that reduce my monthly personal expenses. Yes, reducing your monthly cash outflows counts as an increase in wealth and an investment return. If it allows you to accumulate more wealth faster than any other investment, then do it — and do it first!

My bicycle, which I now ride to work, cost me \$250. My commute is 5 miles, and my cost of commuting is about \$.50 per mile. Biking to work saves me \$5 per day, or about \$750 per year, assuming I bike 75% of the 200 workdays per year. That's an annual return of 300%, not counting the added benefits to my health, and you had better believe this was a serious investment that I analyzed as



such prior to thinking about real estate.

My home is filled with LED light bulbs, which burn far less energy than incandescent bulbs. I use a drying rack (\$20) to save \$1 per load and spend virtually no extra time folding laundry weekly. Also, instead of buying a true rental property “investment,” I bought a duplex to house-hack — enabling me to live for free.

These are investments, folks. You are killing your financial position if you refuse to believe that there are items you can purchase that will substantially reduce your monthly expenses at far greater returns (ROIs of 1000% plus) than stocks, bonds, and real estate.

It is foolish to even think about investing in any traditional sense if there is perfectly good money you are throwing away each month. Often, this money can be saved with far less sacrifice than the time spent working hard to earn it or the time spent acquiring the knowledge needed to be a successful investor.

Sam's Corner - Summer Strategy -

What is on your mind this summer? I hope you are taking time for yourselves and your families. Maybe you are enjoying the beach or the mountains. Whatever you are doing, you should be secure in knowing that your money is working for you when you are not working. That is the key to financial success and true financial independence. If your money only works for you when you remain active in an investment, your vacation may not be so restful. For example, if you have investment real estate that you manage yourself – you can't just leave it unattended. Either someone else needs to manage it or you have to be willing to take calls while you are on vacation.

What is going on with your investment in Clear Sky Financial while you are on vacation? We are spending time this summer continuing our business community outreach. We are continuing to work closely with local real estate investment clubs to establish relationships with investors who need access to capital. We will be sharing our knowledge of the flipping business with other active investors. Finally, we will be talking to both new and old investors about the opportunities that exist with Clear Sky Financial. Our office remains staffed throughout the summer and we continue to expand our business. Any vacation taken by our team is staggered so there are always people available to handle the new opportunities and challenges that come up each day. **Make a decision now to expand your investment with Clear Sky Financial and enjoy the summer even more!**

Deal of the Month

The deal of the month is our 1.1 Million Dollar deal. The property is a DC Four Plex to Condo Conversion. The unit is currently 4 apartments. The owner was renting the 4 apartments but is going to convert them to 4 condos. The condos consist of two 1600 sq. foot units and two 800 sq. foot units. The sales price for the 800 sq. foot units is going to be 325K a piece and the 1600 sq. foot units about 525K a piece for a total outprice of 1.7 Million. The owner has already popped the top to add the extra square footage for the 2 bigger units. The owner did this awhile ago. Our loan consists of a payoff of her existing 1st trust and construction fees totaling about 350,000. These construction costs will go out on a draw schedule. The owner should make a pretty good profit once the deal is complete. This deal will take 9 months to a year for our round trip. If this deal goes well, the owner wants us to fund other projects. HOLD ON TIGHT!!

Contact Us

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May Deals



1620 E St.



209 Boswell



3909 Arcadia



5537 Windsor Mill Rd.



6514 Carrie Lynn Ct.

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CLEAR SKY FINANCIAL

LOANS - INVESTMENT OPPORTUNITIES



PRIVATE MONEY UPDATE

Clear Sky Financial Newsletter

August 2016

Letter from the Editor

Happy August!!

Summer is almost over!! We want to thank all you investors who increased their holdings. July was another steady month. We originated 4 loans, and had 1 loan payback!! The origination loan volume was 542K. The loan originations were 3 first trusts and a third trust on a house with a lot of equity. We had 1 loan payback. August looks to be an even busier month. As I write this we have 6 new loans closing this week alone with another 2 at the end of the month. Stay tuned!!

Food for Thought

We had our first article published in the July/August edition of Think Realty magazine. The article was inside a Hard Money Section in the middle of the magazine. The article was about evaluating assets for risk management. This article and our speaking engagements in June has resulted in an increase influx of business opportunities that we have now gotten under control. We are originating 8 loans in August and that is our highest one month total of loan originations.

Chuckle's Corner

*"A bank is a place
that will lend you
money if you can
prove that you
don't need it."*

- Bob Hope



In This Issue

- Letter from the Editor
- Food for thought
- Charlie's Corner - 2 Great Ways to Find Investment Properties
- Sam's Corner - Understanding Lending Decisions
- Deal of the month



Clear Sky Financial Investment Opportunities

Your Private Money Team!

Charlie's Corner - 2 Great Ways to Find Investment Properties

Thanks to the Internet and plenty of online resources, your next investment property may be just a click away. I'm not suggesting that you should invest in properties in other states or other countries. If you're just beginning, keep it simple and invest in the markets you know best - in your own backyard. A quick search online can yield a goldmine of properties in your own market.

1. Top Online Sources For Finding Investment Deals

Here is a list of sites that I use personally in finding investment property deals:

- A. Craigslist.com - just click on "real estate for sale" and type in your city and you'll get a listing of all the properties listed each day. This is also a great source for finding buyers and tenants; just click on "housing wanted" on the home page.
- B. Zillow.com - although a terrific tool for researching values on specific properties, it's also a valuable tool for finding properties for sale in the markets that interest you.
- C. Backpage.com - another great resource for sellers as well as buyers. Just click on your metro area to get started.

2. Cheap Local Guerilla Marketing Technique

Here's another great way to find investment properties. It involves using a "guerilla marketing" tactic that I was doing long before it was even called "guerilla marketing" and is still one of the best tools to find properties: Bandit Signs.

These are the 18 x 24 corrugated plastic signs you see along the sides of the road at major intersections or on poles.

Believe it or not these work fantastic. In fact, the simpler you make the sign the better. Some of our best signs are made with a white background and we hand print in black marker any of the following messages along with a phone number:

"Cash for your house"

"We buy houses all cash"

"Cash in 7 days for your house"

"I buy junk property"

"Cash for clunker properties"

One of our best signs simply says, "I love to buy hood houses." We posted that sign at several major intersections on a Friday and we had one man who owned 2 properties called us right away and we had a deal on those 2 properties the next day.

The key is to handwrite the message. It sounds crazy but people have told us that they were embarrassed by their property and didn't want to deal with a large corporation who has better looking signs. They want to deal with regular people who are local.

WARNING: City and county laws may prohibit posting signs so check with your local government before posting the signs.

I know some investors who wait to put the signs out on Fridays after 5 pm knowing that municipal workers won't pick them up over the weekends. And then the investors pick them back up by Monday mornings. But be careful they are getting wise to that.

Try it. It's cheap. Easy to do. Best of all it's proven again and again to work! Again, I only pass along what's worked so you can start making money fast.



Sam's Corner - Understanding Lending Decisions

When you apply for a traditional mortgage, your lender will evaluate your credit, income, and the asset that you are buying. There are many criteria by which they understand your credit worthiness including payment history, available credit, history of bankruptcy, etc. Documenting your income is a critical aspect of the traditional lending process and getting a certified appraisal determines the value that will be used to determine your loan amount. We don't use any of these methods when determining how much to lend on an asset. We are asset based (hard money) lenders and our approach is quite different than a traditional lending institution.

The primary things we evaluate before lending are the repair requirements, after repair value, and the buyer's ability to execute on the project. Once we have that information we can determine how much we are willing to lend on the project. If the project fits into the scope of any of the hundreds of other renovation projects we have done, we use our own repair estimates. If the project is beyond our expertise, we bring in contractors that work with us regularly to provide quotes for repairs. The after repair value is determined by us, we don't rely on an appraiser or the buyer to tell us how much it will be worth once it is repaired. We review recent sales data from the MLS and evaluate current inventory. We consider how marketable the property is given its age, style, size and desirability. Additionally the current market conditions that are impacting property sales go into our analysis. Elements including what time of year it will be on the market as well as current interest rates are factored into our analysis. Finally, we get an in-depth knowledge of the buyer's experience and their ability to complete the project. Once we have all of the data, we determine how much (if any) we will lend on a project. Our turn-around time for this sort of analysis is less than two days. At the end of our analysis, the one rule we always follow is that we never lend out more money as a loan than we would be willing to pay for an asset.

Deal of the Month

The deal of the month is another example of a deal that we did not do. It was going to be a 2.4 Million Dollar deal involving the purchase and building of 7 condo units in Washington DC. The numbers made sense as the average condo would have sold for 500K making the overall out price of the entire deal to the investor about 3.5 Million. The investor wanted us to carry the entire project from onset to completion. We felt comfortable with that but after meeting with the investor quite a few times and doing more due diligence we questioned this persons resolve in getting the entire project to completion. We did not want to risk owning the entire project so... we NIXED it!!!

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May Deals



714 Congress St SE



3009 Oxon Run Ct.



14918 Beaver Dam Dr.



2655 West St.

Clear Sky Financial—Loans—Investment Opportunities



CLEAR SKY FINANCIAL

LOANS - INVESTMENT OPPORTUNITIES



PRIVATE MONEY UPDATE

Letter from the Editor

Happy September!!

We hope everybody had a safe and fun Labor Day. August was a record setting month!! We set records in the number of loans that we did and the volume. We originated 9 loans, and had 4 loans paid back!! The origination loan volume was \$1,795,000 bringing our loan portfolio to over \$11M. We have more room to grow. If you were wondering why we were knocking on your door last month seeking additional investment, now you know why. We still continue to grow and we thank you for your continued confidence. The loan originations were ALL first trusts. We had 6 loans go to flip investors and 3 loans go to buy and hold investors. We had 4 loans pay back for a total volume of \$757,000. So we grew at about \$1,000,000 last month. September looks to be busy but not at the same rate as last month. We have a several loans due to payoff in September.

Food for Thought

This months food for thought revolves around LTV. LTV stands for Loan to Value. This is the key aspect of your business. It protects the money that we have invested in these loans and insures that we continue to get good returns. LTV is basically a fraction of the loan amount relative to the value. If you owe \$150,000 on a house that is worth \$200,000, your LTV is 75% ($150K / 200K$). The lower the LTV the better. Our goal is to keep the LTV's at about 70% or lower. This month our loan volume across nine loans was \$1,795,000. The ARV (After Repair Value) of these houses totaled \$2,790,000. Hence our total LTV this month came in around 64%.

Chuckle's Corner

"One can pay back the loan of gold, but one lies forever in debt to those who are kind."

-Malcolm Forbes



In This Issue

- Letter from the Editor
- Food for thought
- Charlie's Corner - 20 Must-Have Team Members for Real Estate Investing Newbies
- Sam's Corner - Identifying Collaborative Borrowers
- Deal of the month



Clear Sky Financial

Investment Opportunities

Your Private Money Team!

Charlie's Corner - 20 Must-Have Team Members for Real Estate Investing Newbies

"One of the most important leadership lessons is realizing you're not the most important or the most intelligent person in the room at all times." — Mario Batali

If you don't agree with this statement or even see its value, then I think you will have a VERY hard time being successful in this business of real estate investing. As with every business, a successful real estate business is a team sport. The best teams win the most. And the best leaders surround themselves with smarter people than themselves all the time. It is that simple. (Side note: When I say "smart," I don't only mean "book smart." I mean "book smart AND street smart".)

I can tell you that we are always working on building the best team possible. It is an evolving process. We have come a long way in 10 years, but there is always room for improvement. It can seem a little daunting when someone is just starting out; however, forming a great team is incredibly important at any stage of the game, especially early on. Remember, your team will evolve as YOU evolve. Still, you want to start off on the right foot with the right people.

Before you go out and form a team, I would highly encourage you to determine your niche, your market, and your strategy. I don't care if you get the smartest people in a room and begin working with them; if you are not focused and super clear on your plan and strategy, then NO team member will be able to help you. The more specific you are, the better people will be able to help you achieve your goals.

So here is a list from A to Z of key people you need on your team for optimal success.

1. Mentor
2. CPA
3. Attorney(s)
4. Banker
5. Insurance agent
6. Hard Money Lender - THIS WOULD BE US!! Some new investors will rely heavily on a hard money lender when they get started. Other newbies will not go near them. Regardless, you want to have options when you are in the midst of financing your deals. With some deals, having a hard money lender makes sense; with other deals, it does not make sense. Again, it is helpful to find a hard money lender that you are comfortable with, who you trust, and who trusts you — again, BEFORE you find your deal.
7. Private Money Lender or Equity Partner
8. Real Estate Agent
9. Wholesaler
10. Bird Dog
11. Title Company
12. Well-Connected Business Professional
13. General Contractor
14. Plumber
15. General Handyman
16. Electrician
17. Pest Control Company
18. Cleaning company
19. Property Manager
20. Accountability Group



I hope this list of 20 essential team members will help get you and your real estate business moving in the right direction. Remember, to build long term relationships with others, you need to help them achieve their goals. The best relationships always have a win/win element. We have all these people on our team in one fashion or the other. In most cases we make up a lot of this team. We could be used as a Mentor, Hard Money Lender, Equity Partner, Real Estate Agent, Wholesaler, Well-Connected Business Professional, Property Manager (even though we are trying to exit this business) and a Bird Dog. The other members of the team we have at our disposal because we have done so much business.

Sam's Corner - Identifying Collaborative Borrowers

As an investor in Clear Sky Financial, you should know what type of people/businesses we like to target as borrower clients. Through a careful evaluation of our own investment process, we have determined that good investors have certain behavioral qualities. This column outlines those qualities that we are looking for in our real estate investor community.

People often think of real estate investing as a zero sum game. For example, they may envision an auction marketplace where people bid against one another using perfect information about a property and the market. The result of this sort of auction would be the sale at a fair market price. Interestingly, if you observe real estate auction behavior in our region, you will see something far less than perfect information. You will see bidders who are angry about limited inventory levels. These participants are willing to bid one another up beyond a reasonable price just to "drop" the deal on a competitor so the competitor takes a loss. We make sure to avoid these situations and we help our borrowers look for opportunities that don't involve this type of excessive bidding.

As a real estate investor, how do you collaborate to find value priced real estate assets that are sold at reasonable prices? First, you have to **establish yourself as a trusted resource** in the community. If you say you are going to close on a property on a specific date, you close on it. Simply keeping your word builds incredible good will in the real estate community. Second, you **make decisions efficiently and openly**. When presented with an opportunity, you present a simple yes or no answer within hours. You don't spend days negotiating away the profits or equity that other people feel entitled to retaining. If an opportunity doesn't work for you, you tell the person why and explain your position. If it turns out that there is flexibility in their terms, they will let you know; otherwise you will part as friends and they will bring you another deal later. Finally, you have to **have allies in real estate**. These are people who know that you will share opportunities with them when they arise. It can be title companies, loan officers, community activists, estate attorneys, contractors, or neighbors. Regardless, anyone who is an ally knows that you won't forget them when the deal is solidified – you will be there to help them find solutions to their real estate problems at any time, and you will send them business when possible.

Deal of the Month

The deal of the month involves a loan that we did on a 6 unit property in Norfolk. The property rented out at about \$800 a unit for a total monthly cash flow of \$4,800 before expenses and the property was fully rented. The investor came to us through a meet up group. She was a very well educated person working as an accountant for the Department of the Army. These properties are tough to evaluate so we did a simple cash flow approach and determined the value of the property was around \$450,000. We took an annual cash flow of \$57,600 ($12 * 4,800$) subtracted vacancy rate of 10%, annual taxes, insurance, annual maintenance, and came up with an annualized cash flow of \$45,000 before debt service. We loaned \$300,000 on a 9 month term. We started her out with a \$5,000 working capital account and built in 3 payments towards the loan. So... in month 4 she will not have a problem paying us back!!!

May Deals



4990 Preston Lane



5915 Belle Grove Rd.



4610 White Ave.



8531 Laolan Ave.



8791 Old Branch Ave.



3453 Ridge Rd.



5414 Gainesville Rd.



811 E 30th St.

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Clear Sky Financial—Loans—Investment Opportunities



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PRIVATE MONEY UPDATE

Clear Sky Financial Newsletter

October 2016

Letter from the Editor

Happy October!!

This is our FIRST edition of our SECOND year of sending you these newsletters. We hope you find these newsletters informative. This month Clear Sky Financial turns 3 YEARS OLD!! In 3 years we have grown to over 11.5M in loan assets. September was another good month. We originated 5 loans, and had 4 loans pay back!! The origination loan volume was \$1,040,000 with an asset value of \$1,745,000 giving us an LTV (Loan to Value) of around 60%. The loan originations were ALL first trusts. We had 4 loans go to flip investors and 1 loan go to a buy and hold investor. We had 5 loans pay back for a total volume of \$772,000. October looks to be another record setting month for loan originations as this business continues to grow. As I write this we have already closed 2 loans this month and have another 9 or 10 cued up. So.... stay tuned.

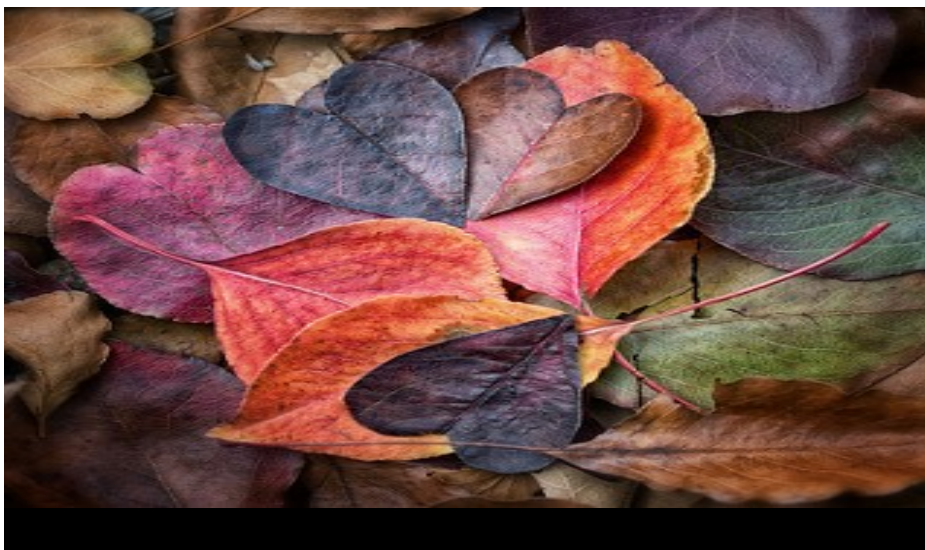
Food for Thought

This month's food for thought revolves around the ages of our various businesses. Since CSF is 3 years old this month, I feel compelled to tell you the ages of our other businesses. We are very thankful that we have been able to sustain a nice level of growth in the past 15 years while other portions of the economy have been shrinking. As you know we first got into the real estate business as realtors. Sam's company, Green Dot Realty, in which I am an agent, is 15 years old. Our house flipping business, Clear Sky Properties, is 14 years old. Clear Sky Properties is also our holding company and we have been holding assets for 10 years. So as you can see we have a lot to celebrate. We want to constantly thank you investors for having the faith in us so we can continue to provide you GREAT returns in Clear Sky Financial.

Chuckle's Corner

*"A wise person
should have money
in their head, but
not in their heart"*

- Jonathan Swift



In This Issue

- Letter from the Editor
- Food for thought
- Charlie's Corner - Walk Score
- Sam's Corner - Trends in Hard Money Lending— VA, MD and DC Markets
- Deal of the month



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Investment Opportunities

Your Private Money Team!

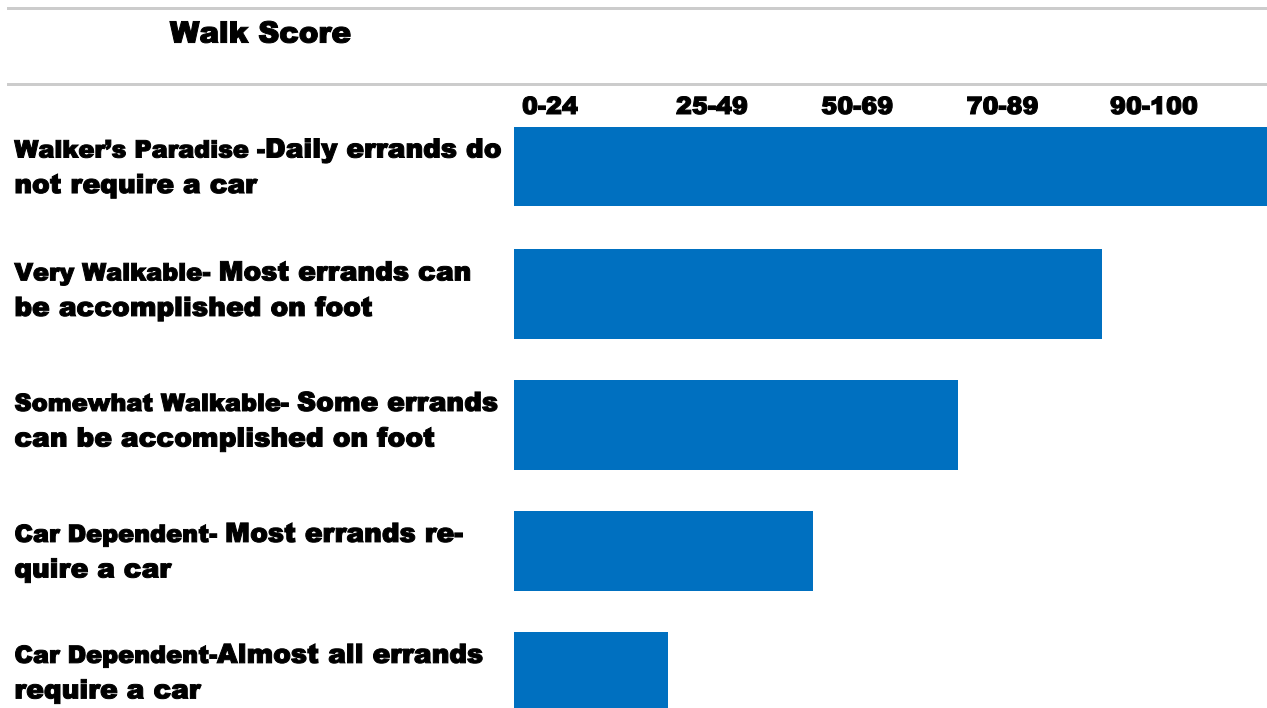
Charlie's Corner - Walk Score

Did you know that Washington DC ranks #7 in the country as far as the cities with the best Walk Score. Baltimore is also in the top 10. What is a Walk Score? Walk Score is a private company that provides measures of walkability at addresses throughout the country. Walk Score measures the walkability of any address using a patented system. For each address, Walk Score analyzes hundreds of walking routes to nearby amenities. Points are awarded based on the distance to amenities in each category. Amenities within a 5 minute walk (.25 miles) are given maximum points. A decay function is used to give points to more distant amenities, with no points given after a 30 minute walk.

Walk Score also measures pedestrian friendliness by analyzing population density and road metrics such as block length and intersection density. Data sources include Google, Education.com, Open Street Map, the U.S. Census, Localeze, and places added by the Walk Score user community.

Since DC is in the top 10 Walk cities, the study also rates 125 DC neighborhoods. This is also the case with Arlington and in some respects Alexandria. Why is this important? Walkability is critical in urban settings because walkability impacts the VALUE of a property. Generally, the higher the walk score, the higher the asset value.

The Walk Score is a number between 0 - 100. The higher the Walk Score the better. Below are the ranges of a Walk Score.





Sam's Corner - Trends in Hard Money Lending— VA, MD and DC Markets -

Each jurisdiction where we lend money appears to be trending toward specific types of hard money needs. It is important for us to understand these trends, market to borrowers with these specific needs, and really understand the underlying assets. There are major differences in the types of investors working in these spaces and the types of product that they are looking to flip.

In Virginia, we continue to see flip investors identifying the entry and mid-level priced assets. We have a great deal of familiarity with these properties as we have flipped hundreds of such assets. Their renovation budgets are easily determined, the after repair value (ARV) trends steadily over time and is not subject to much fluctuation. The investors in these properties generally have smaller profit margins but don't take on too much risk.

In Maryland, we are seeing lower priced housing product improve in value very rapidly. We have to be cautious in this market because some investors are betting on future values as opposed to current values. When we determine an ARV, it is based on the current market with consideration given to downside trends. We do not consider upward trending markets to determine ARV as there is certainly no guarantee of improved values.

In DC, where we are seeing a surge in volume, investors are buying at both ends of the market but not in the middle. Low priced, entry level housing is in high demand. Good value buys in the entry market are an excellent opportunity to take a smaller repair/redevelopment risk and make a solid return. At the other end of the market, we have high priced renovations for assets of up to 1MM. The resale value of these properties before repair has not gone up as fast as the ARV. That puts investors into a good position to make a great return. The issue with these properties is understanding whether or not your investor has a track record of understanding costs and delivering a finished product that meets the ARV standard you are seeking. In these situations, we have been visiting properties that new clients have already renovated to really understand their capability. As all of these markets change, we will continue to keep you informed in our monthly newsletter.

Deal of the Month

The deal of the month involves a deal that we closed extremely fast because the borrower needed the money and the deal made sense. I attend a variety of courthouse auctions everyday. I am there to bid on houses but in the last couple of years I have been there to market our hard money business. I attended a courthouse auction on 9/18/16 and was introduced to the Ventura brothers by a trusted friend. They were buying a house worth \$550,000 for \$350,000 and putting \$50,000 down. They needed a \$300,000 loan for this asset. The problem is that they were supposed to close on the house by the end of August. They have been in the renovation business for 10 years or so and have flipped a few houses. Apparently their funding source dried up and they needed someone to SAVE the deal for them and to CLOSE within a week. The numbers made sense to us, I provided them with a POF (Proof of Funds) so they could give to the seller to keep the deal alive. We closed the deal for them 1 WEEK later. I think we made some new clients HAPPY, saved a deal and hope to have these investors in our fold for years to come.

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May Deals



5840 New England Woods Dr.



2240 Sanibel Dr.



1866 Alabama Ave SE



2061 Courthouse Rd.



3344 Mondawmin Ave.

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CLEAR SKY FINANCIAL

LOANS - INVESTMENT OPPORTUNITIES



PRIVATE MONEY UPDATE

Letter from the Editor

Happy November!!

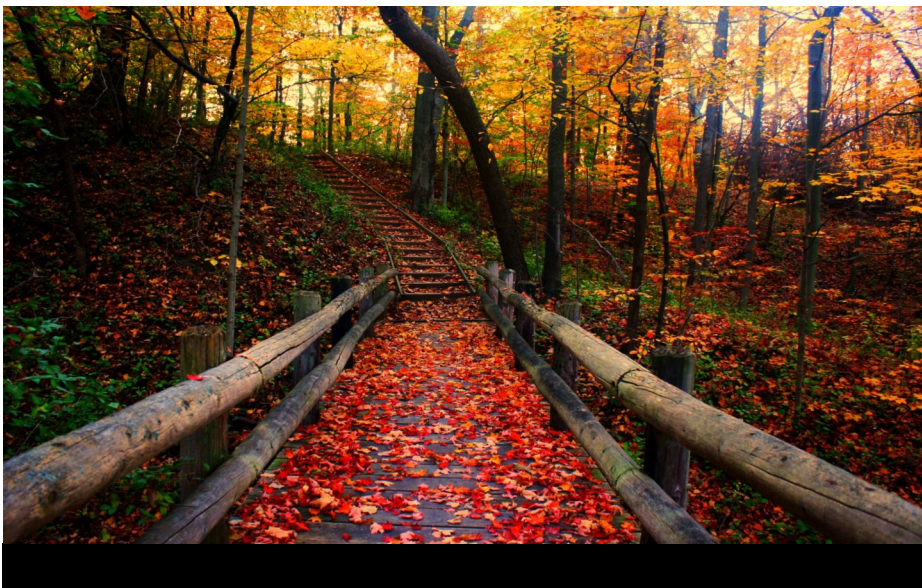
CSF hopes you and your family has a safe and happy Thanksgiving. We have a great deal for which we are thankful. We want to welcome Chris and Jack, our newest investors into the fold. Also, we thank our ongoing investors who increased their positions in October. We believe that our notes are the best FIXED rate return investments in the market. October was our BEST month ever. We originated 13 loans, had 9 loans pay-back, modified 1 loan and had 1 principle reduction on another loan!! The origination loan volume was \$3,100,000. The loan originations were 12 FIRST Trusts and 1 SECOND Trust. We had 9 loans pay back for a total volume of \$2,565,000 and 1 principle reduction of \$100,000. We have a lot of demand for November but it will not be as big as October. So.... stay tuned.

Food for Thought

Any good financial plan has a good mix of equities, bonds (debt) and real estate. The younger you are the more risk you can withstand. The older you get, the greater your need for fixed investments such as the one we offer at CSF. We thank you for allowing CSF to be a portion of your bond/debt ownership. We know that we offer one of the best debt returns in the industry at very low risk levels. We try very hard to mitigate against any losses incurred in the market place. Thank you to all of our investors that have been with us for 3 years!!

Chuckle's Corner

"The most successful investor was Noah. He floated stock, while everything around him went into liquidation."



In This Issue

- Letter from the Editor
- Food for thought
- Charlie's Corner - Understanding Scalability and The Way Forward
- Sam's Corner - Identifying Collaborative Borrowers
- Deal of the month



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Investment Opportunities

Your Private Money Team!

Charlie's Corner - How to Analyze Fix/Flip Transaction

There are several ways to do residential real estate investing. You can be a wholesaler, a buy/hold investor, a Fix/Flip investor, and/or a hard money lender. We are all 4 but we do not do much wholesaling. So, in this month's food for thought I will talk about analyzing Fix/Flip Transactions. Fix/Flip transactions are basically math problems. There are 6 evaluation factors that come to play when deciding if the property can be flipped. The factors are below:

1. After Repair Value (Static)
2. Renovation (Should be Static!!!)
3. Acquisition Costs (Static)
4. Holding Costs (Dynamic)
5. Sales Costs (Static)
6. Profit Margin (Depends on control of Dynamic Costs)

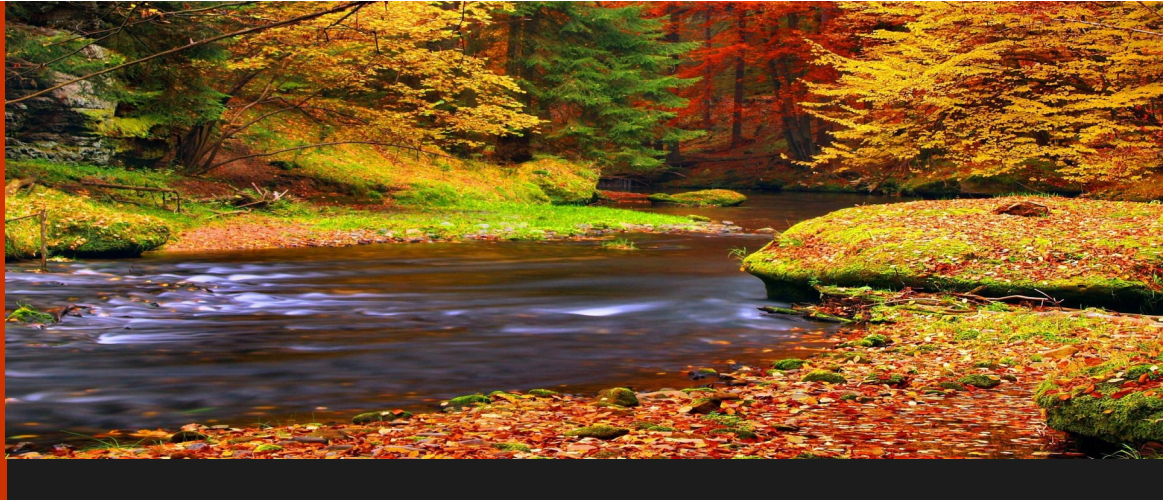
What is the property worth once the renovation is complete? This is called the After Repair Value or ARV. The best way to compute this value is from the multiple listing service (MLS). You will either need MLS access or have a realtor simply pull the comps for you. Another way to compute the ARV is to use a tool called Privy. I have not used this tool myself but some investors tell me they like it. I would not rely on Zillow or Trulia as they have problems in their evaluation algorithm.

The first and biggest expense are the renovation costs. You will need a General Contractor to help you determine these costs. Once you have done a lot of flips, then it will be easier for you to determine your own renovation budget. I would always factor in at least a 10% margin of error for surprises.

Acquisition Costs are simply the costs used to buy the property. Examples of these costs are title insurance, settlement company fees, transfer taxes, points/fees on a loan, HOA/condo set up fees. We have many flips so based on our experience we assign a percentage of the ARV to compute these costs. This cost will also depend on the jurisdiction because transfer costs are much higher in DC/MD than they are in VA.

The fourth factor and third expense relating to flip transactions are the Holding Costs. This is the dynamic portion of the problem. A dynamic cost is a cost that fluctuates during the fix/flip period. The quicker the fix/flip the more profit you make. This is the toughest calculation. The holding costs include monthly payments to your loan (if you have one), property taxes, HOA/condo dues and property insurance. The best way to get this cost under control is basically through experience managing these projects. It is important that you EXECUTE your business model. The house needs to be vacant or be vacated shortly after acquisition. The renovation needs to be done in a timely manner while maintaining quality and code compliance. The property needs to be priced to sell in a short timeframe. We constantly keep track of the time it takes to do "round trips" on our properties and put this information back into our holding cost model.

The next set of costs are the sales costs. The sales costs comprise settlement fees, transfer fees, realtor fees, home inspection costs, and any seller subsidy that might need to be paid at closing. As a percentage, this number should be fairly static. When I price a property I usually have the seller subsidy factored into the ARV. The final and most important FACTOR is the profit margin. THIS IS WHY WE DO THE BUSINESS!! We use the profit margin to back into the purchase price. It is very simple, if we cannot get our profit margin out of a deal, we simply move on. Our profit margin runs anywhere between 8 - 25%. The older the property and more complex the renovation, the higher the profit margin needs to be in order for us to buy it. We are not going to do an extensive renovation if we cannot make a lot of money. Large renovations take a lot of time and energy and thus have a very high opportunity cost.



Sam's Corner - Understanding Scalability and The Way Forward

Clear Sky Financial has been in the hard money business for three years. It started as a foray into the District of Columbia to develop a deep understanding of the DC housing market. At that time, we were experienced flippers in Northern Virginia and Maryland and wanted to follow the steps of experienced flippers in DC closely. We decided that funding their flips would be a great way to learn the ins and outs of the DC city market. This created a dual opportunity for us. We developed what is now a substantial flipping portfolio in DC for Clear Sky Properties and expanded our hard money business into what is functionally a DMV real estate investment fund for Clear Sky Financial.

In October 2016, we originated a record dollar volume and number of loans in DC for CSF. Now that we are known in the lending marketplace, everyday more opportunities are finding us. We are solicited by many people who want loans, each person and opportunity needs to be evaluated thoroughly. We are approaching 13 MM in total outstanding loans and have a pipeline of new business that will support over 20 MM in loans in the very near term. We are working hard to determine and manage the correct rate of expansion where we can maximize our yield and maintain clear visibility into each investment opportunity. In the coming months, we are planning to employ additional staff to review assets and manage capital deployment. At present, we see several more years of expansion in the DC real estate market. There are many neighborhoods in DC where there are renovated houses supporting high resale prices alongside properties that are dilapidated. This creates the perfect opportunity for flip investors who need our capital. Our current goal is to be a 20 MM lending entity by the end of 2017. This is going to require significantly more capital investment, if you know anyone interested in joining our pool of investors – please have them reach out to us.

Deal of the Month

The deal of the month revolves around a buy and hold loan that we did for a repeat investor. This investor is a beginner investor that has done one buy and flip transaction with us before. The details of this deal are as follows. The address is 6207 Dower Village Lane in Upper Marlboro MD. The loan amount was for \$165,000. The property is worth appx \$250,000 in its fixed up state. The beauty of this deal is that it is a "cash flow deal". The property is a one level house that was grand fathered by the County as a duplex. One side was vacant and in need of minor repairs and the other side has a current paying tenant paying \$1,100 a month. Our investor is going to make the repairs and rent the vacant side out for \$1,200 a month. So, the total cash flow is \$2,300 a month and he is paying us about \$2,000 a month giving him a positive cash flow of \$300 a month. Now, the best part of this is when he refinances us out. Once he holds the property for over 6 months he will refinance us out (with our help) with a 30 year loan product. The 30 year loan product should be around 4.5% and his approximate P/I payment will be \$900 which would then give him a positive monthly cash flow of \$1,400 a month before he pays the monthly taxes and insurance.

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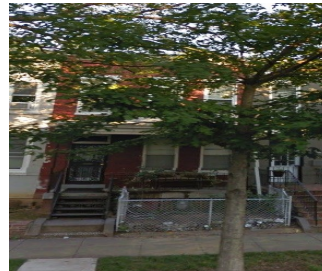
October Deals



12000 Market St. #476



10 Locust Lane



111 15th street SE



128 Ingraham St. NW



6207 Dower Village Lane



52 Brent Point Rd.



5125 Mount Zion Road



714 Congress St. SE



12824 Town Center Way



10024 Blue Coat Dr.



17164 Moss Side Lane #72

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PRIVATE MONEY UPDATE

Clear Sky Financial Newsletter

December 2016

Letter from the Editor

Happy December!!

Happy HOLIDAYS!! CSF hopes your family has a fun and safe Holiday Season. I want to congratulate four members who have joined our THREE YEAR CLUB. These investors have been with us for three years this month: Lesly/Jerry, Rick/Ronnie, Andy/Jody and Seth/Susan. What does this mean?? These folks have received 36 months of dividend checks!! Wow!! Due to our high loan volume in October, November was a slow month for loan production. We look forward to another good December!!

Food for Thought

One of the things that we take pride in at CSF is educating both new and experience investors. This year we have been able to present to a variety of groups. As you know we presented last June at the REI expo at the National Harbor. We plan on doing that again this year. As a result of that presentation we were invited to speak at Cap Cities REI group. The Cap Cities REI presentation was well attended. Since then, we are monthly speakers at their meetings. This past week we did an investor work shop at one of our flip properties in Washington DC. This was attended by about 30 investors, some new and some experienced. Educating investors is one of our marketing strategies at CSF and is the reason why we are growing so much!!

Chuckle's Corner

*"The Trick is to stop
thinking about it as
"YOUR" Money"*

-IRS auditor



In This Issue

- Letter from the Editor
- Food for thought
- Charlie's Corner - Fitting in the Missing Pieces to a Successful Real Estate Business
- Sam's Corner - Focusing on Fundamentals Leads to Growth
- Deal of the month



Clear Sky Financial Investment Opportunities

Your Private Money Team!

Charlie's Corner - Fitting in the Missing Pieces to a Successful Real Estate Business

Real Estate is a business with many different parts. Utilizing these different parts effectively can also lead to many different ways to make money. However, it seems that a large number of investors are only focusing on one aspect of the business which leaves a lot of money on the table and not in their pockets. In this article I will describe the top three methods I believe work the best for producing money for your real-estate business.

Rental Properties

A very powerful tool that every investor should have in their business arsenal is rental properties. I know they are a pain, but it's consistent income every month. If your rentals can bring in enough rental income to cover your monthly living expenses plus add to your savings, you are not stressed out to find the next deal. Instead you are looking to find the right deal. A deal done out of desperation usually takes more time to sell and often just does not make money when you come to the closing table. The right deal on the other hand is often well planned, sells or rents quickly, and places funds into your account.

Wholesaling Real Estate Deals

Wholesaling is a tool many investors do not put into their real estate tool bags or use as frequently as they should. Selling a house for a quick profit to another investor looking for a rehab or buy and hold property could be a great short term boost to your business. A quick three, four, ten thousand dollar monthly infusion into your business is great for growth and to buffer against unexpected issues and situations which could and will happen. Wholesaling also is a great way to network with other investors in your area. Wholesaling to local investors often leads to building long term profitable relationship with other minded real estate professionals.

Rehabbing/Flipping Investment Properties

The third tool we are going to discuss is rehabbing or flipping. Rehabbing is a great way to put a big chunk of money into your business. A successful rehab could bring in ten, twenty or forty thousand dollars into your business—or more. Unfortunately, there is a waiting period from acquisition to selling your property for a profit. However, if you have applied the two strategies discussed earlier, rentals and wholesaling, you will have both monthly residual income and also monthly chunks of cash coming into your business. Remodeling becomes a calculated process to maximize profit and not a rushed sell that minimizes profits. Capitalizing on these three tools in unison allows investors an avenue to remodel, market, and sell the property at the right price to maximize profits.

The combination of rentals, wholesaling, and rehabbing is a win-win, not to mention if you are wholesaling you are constantly looking for deals. One of your wholesale leads could be too sweet to sell to another investor and could be your next rehab project. A constant pipeline of deals allows an investor to wholesale, keep the rehab train moving, place cash into their bank account, and most importantly grow their business.

In summary, your real estate business needs more than one method to grow successful. There are many other methods and strategies to use in combinations that were not illustrated in this article. Some of them include pre-foreclosures, short sales, and note buying just to name a few. The point of this article is to help you develop an overall strategy to solidify a monthly income via rentals and/or owner finance while bringing chunks of money into your business via wholesaling and rehabbing. Also remember to constantly be marketing your business. If no one knows who you are, how can they do business with you?



Sam's Corner - Focusing on Fundamentals Lead to Growth

Each day our team focuses on the fundamentals. We don't take anything for granted. We build new relationships and value them as much as our very ones. We pay attention to details on spreadsheets as if it were the first time we were using them. Each deal we evaluate is seen without assuming anything in particular about the transaction. This enables us to become the best at what we do while competitors take the small steps for granted. We are not waiting for a "waterfall event". Instead we believe that concentrating on the small choices and repeated actions leads to long term success. I think that nearly every area of business can be distilled to an essential work component that can be mastered to make a person an expert.

Deals are coming to us instead of us chasing them. What caused this change? In the last six months we have seen an enormous spike in demand for our loan products that far outstrips our ability to fund. This has occurred because we have focused on small fundamental pieces of our business. Our marketing program, while not highly sophisticated, has gone on steadily week after week. We communicate with borrowers about their needs and upcoming deals and Charlie makes his presence known at several monthly real estate events in the area and gets to know everyone in the room. We hand out cards and brochures and have become known as one of the significant participants in the DC hard money market. While we have continued to focus on these small things, more people discuss our capability with one another and come to us to make their deals work.

In order to match our expanding loan portfolio to investment funds, we have reached out and identified new partners and employees to start working the daily fundamentals of investment development. Our team is going to put all of the small steps in place that puts us first in investor minds when they are thinking of the best place to invest. We anticipate that over the next six months our investment side will grow sufficiently to match our lending side. That will put us in a place where growth in the overall business is organic. I look forward to providing you more updates on our investor program next month!

Deal of the Month

The deal of the month revolves around a flip property that we did for a BEGINNER INVESTOR. This person had no experience with real estate investing. He attended a Platinum real estate investing course and got our name from one of the instructors (surprise to us) as a hard money lending source. So.... this person kept calling and calling to get us to fund some of his deals. I turned him down a few times and he kept calling back. I did not like any of his deals. One day he brought us a deal on 5915 Belle Grove Road in Baltimore MD. The house was a foreclosure and priced at \$80,000 and needed a total renovation. He thought the After Repair Value was \$225,000. I had it worth around \$200,000 and figured we could lend all in to about 70% of the ARV. He said the renovation cost was around \$60,000 and he wanted to know if we would lend him \$140,000 to buy the house and renovate it. Keep in mind he did not have any money. I liked the deal but we would do it on one condition. He had to use our contractor and use us (Green Dot Realty) to SELL the house. He agreed. So... he bought the house for \$77,500 used our contractor to renovate the house (\$55,000) and listed the house with GDR to sell. We aggressively priced the house at 224,900 a month before Thanksgiving with limited traffic. I told the client we needed a price adjustment to 199,900 to get it under contract before Thanksgiving. He agreed and it sold 2 days after the price drop. The deal closed on 12/5/16 and the investor made appx \$22,000 in profit for his first deal. He was excited by his success and we now have a client for life. He started his second transaction with us last month as described in last month's Deal of the Month.

Contact Us

Give us a call for more information about our services and products

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November Deals



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