

HOW TO **SUCCEED** AT LIFE

BY FAILING AT BUSINESS

THE INCREDIBLE TALES OF ONE
WOULD-BE ENTREPRENEUR



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HOW TO SUCCEED AT LIFE
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Prologue

Business is damn hard, and the world can be cruel and unfair. The fact is, life owes us also lutely nothing. I am reminded of this reality as I have reflected on the past ten years and the many adversities I've faced as a would-be entrepreneur and small business owner. To detail the path that I've traveled during this time, some of it almost seems surreal. Within that span of time, I've sued, been sued, nearly declared bankruptcy, lost friends for life, made horrible life decisions and incurred one business disaster after another—all the while, not once seeing a paycheck. It sounds like insanity, and maybe it was.

This book isn't meant to deter anyone from being an entrepreneur. I did enjoy some minor successes and a few business wins, plus, the thought of being the main force behind the life of a business was, and still is, intoxicating. I never found waking up each day more fulfilling than when I was an entrepreneur running multiple businesses. There is a certain satisfaction I get from knowing that others depend on you and your business, that you're providing goods and services to customers. It's a great feeling seeing them smile as they come in to your business, and, especially, seeing them smile as they leave your business as a satisfied customer. The tangibility of it all can't be matched. It is an extremely hard but rewarding career path, and one that has made many people very wealthy. I'm now quickly becoming one of those people, building wealth through my role as a real estate investor in multifamily housing assets. So, even with all my failures, I'm now on the path to success. Proof that you should never, ever give up on your goals and aspirations. If I can do it, so can you.

But you must love to do it. I found this out the hard way with partners who didn't love the business we were in, and their enthusiasm quickly faded, leaving me to pick up the pieces. If you aren't willing to put a ton of time and effort into your business, someone else out there that is willing to devote the time will usually beat you in this game.

I'm not the first to fail at entrepreneurship and business, and I won't be the last. But what compelled me to write this book based on my own experiences was the desire to detail how spectacularly I have failed at my endeavors with the hope that it can help others avoid a similar fate. If I can help just one person avoid the mistakes I've made, it's worth it. I've successfully endured some terrible business experiences, and I recount them all in this book, along with advice about how to

avoid the mistakes I have made.

Also, what has made my experience unique is the volume and the frequency at which missteps and disasters occurred, and the circumstances surrounding these failures and the disasters. It is quite the story to share.

Finally, the amount of money I've lost is relative. While the figures herein may not seem large to some, it was *a lot* of money to me at the time. In most instances it was everything I had, I had been operating without any safety net. It is a situation that I would not recommend to others, and it put me in a perilous situation financially and mentally. When you're staring the possibility of bankruptcy in the face, it is easy to second guess your acumen and wherewithal to survive the world of business. There were many days in which I considered myself a complete failure, having wrecked my financial standing in the process. There were moments when my self-respect and confidence in myself were completely evaporated. For years, it shook my self-esteem to the core. However, I am now in a position where I can put all these events far behind me in the rear-view mirror, a bright future unfolding in front of me. It was a long road to get there.

Please note that nearly all names and all the locations have been changed to protect people's identities, but every event and interaction has been recounted to the best of my knowledge and memory with no exaggeration of these events. Some of the dialogue has been edited for brevity and content. I hope you enjoy.

Chapter 1: Working for Someone Else Sounds Horrible

My father was a small business owner nearly his entire life. He took over the family business, a moving and storage company, in his late twenties and it was what he did up until he retired in his early sixties. He worked tirelessly for years, and he was successful at it. Our family was not rich by any means, but we could live rather comfortably with a modest house and a family vacation every year to the beach. Small business ownership had worked for him and he did it the right way. He kept a binder of thank you letters from customers and clients at the front entrance to his office. The binder was always full of new letters from customers, gushing about the service my dad provided. It was a tangible testament as to how much he cared about his business and how he treated his customers.

My dad had to live and breathe the moving industry. I don't think he ever loved the moving industry, but he loved being the person in charge. I remember growing up, watching him call the shots and make all the decisions. I could tell it was what drove him to do what he did. Now that he is retired, he can only boss around family members, and we must remind him of it—rather often—that we are not his employees. It's just ingrained in his behavior at this point.

His mindset impacted me as I grew up, and so did his work schedule. While he was a very busy man, he could take off an afternoon here and there, or come home for lunch without approval from anyone. As a kid, I disliked his schedule, because it meant he could be at every little league baseball or basketball game, ready to chew my ass out after I made a mistake. Yes, he was one of those fathers. Yet, as I grew older and more discontent with the rigid schedule of high school, I grew increasingly enticed by his ability to set his own hours.

My first job in high school was as a little league baseball umpire, which I found highly enjoyable. I got to pick the games I wanted to ump, and I loved calling balls and strikes from behind the plate. The flexibility in being able to set my own schedule stuck with me. My second job as a bagger at the local grocery store was a much different experience. We got a fifteen-minute break for a snack during a four-hour shift. The break room was at the back of the grocery store. By the time I clocked out, walked back to the break room and sat down for my snack, I had roughly eight minutes left before I had to sprint back to the bagging area. If I was late clocking back in, my pay was

docked. This initial experience with a set schedule, even though it was trivial, stuck with me. I remember that my coworkers and I all agreed that a fifteen-minute snack break wasn't nearly long enough given the location of the break room in the far back corner of the building. It was the first time I thought to myself: *Working for someone else can really suck*. It wasn't long before I didn't even bother clocking out for a snack break, just hoping no one would notice (they never did).

I began to look at my dad's schedule with increasing fondness. He had to work a lot, but at least he didn't have someone telling him when he needed to be back from lunch. He made his own hours. I wanted to make my own hours as well.

My college job at the local movie theater was a bit more enjoyable. I got to watch all the movies I wanted, I worked with my friends every shift and our boss was a big softie. It was a typical college job. Sure, oftentimes I had to clean up puke and throw unruly teenagers out of the theater, but there was a solid amount of goofing off mixed in as well, and everyone was pretty laid back. The biggest downside to the job was that I had to work every Christmas Day and New Year's Day. I was always pegged with the responsibility of addressing the theater's grossest problems, like unclogging the women's toilets. Often, I'd have to put my entire arm down into the toilet to pull out whatever god-forsaken thing had gotten stuck in the plumbing. I was also tasked with replacing all the ceiling tiles in the theater lobby for a mere \$200. I was the one they could count on to get these projects done. I can proudly say, those ceiling tiles are still there, more than fourteen years later.

Business Mistake: Never Working in the Service Industry

Working in the service industry, especially through your high school and college years, can prepare you for life out in the 'real world' in a way nothing else can. Serving the public is an eye-opening experience that requires the ability to communicate and the perseverance to shake off criticism. Customers don't care about how you're feeling that day or any problems you may be facing in your personal life. They're not going to coddle you. They expect a smile, politeness and good service. Anything less can lead to a lack of tips (if you're in the restaurant industry), or a public chiding to you or to your bosses (that happened to me on more than one occasion because of my poor attitude when I was younger). Getting yelled at and disciplined by someone other than your parents was jarring for me and woke me up to how I was acting, quickly making me change my ways.

I've worked as a grocery store bagger, a movie theater cashier and a restaurant bus-boy, and the one thing all those jobs had in common is that the experience dealing with the public never changes. While many customers are very kind, you'll encounter customers that are simply jerks, no matter what you do to appease them. You'll encounter customers

that will complain about every little thing hoping to receive compensation for their meal or movie ticket. You'll encounter customers that will flat out insult you. But, you learn teamwork, how to interact with others, the meaning of hard work and how to not let things affect you on a personal level.

Work in the service industry. Nothing, socially, can prepare you quite the way the service industry can, and it can really set you up for success later in life.

I enjoyed my college years and welcomed the ability to tailor my college schedule the way I wanted (no 8:30 a.m. classes for me!). I worked and went to class, and I didn't give much thought to the future until one day late in my junior year. I remember the night vividly. I was having dinner with my mother when she, out of the nowhere, asked me: "So have you thought about what you're going to do next year after you graduate?" She followed that question with: "You should start looking at potential opportunities." I had quit the movie theater a few months earlier, enjoying a break from working and concentrating on finishing up my degree in Journalism. I had given the future literally *zero* thought. Her two sentences brought about an awful epiphany that I'll never forget.

What the hell am I going to do for the rest of my life?

It was at this point while having dinner with my mother that I realized I had been on cruise control for years, getting a degree in an industry in which I had no desire to work. The nightmarish question hit me like a freight train, sending me into a state of uncertainty as I repeated it over and over in my head. *What are you going to do?* Panic set in and anxiety took control of my body like some otherworldly spirit. The answer immediately became clear: I have no idea what I'm going to do. But the question would haunt me for months.

Today, I can look back and pinpoint the reason I was at a complete loss as to what to do after I graduated from college. I had never been questioned about it until that very moment at dinner with my mother. In high school, I never sat down with a counselor to figure out what direction I wanted to take. When I met with my college advisor for the first time, my only question was, "Which major requires the least amount of math?" This question stemmed from my colossal failure at high school calculus. I had received a 32% on the first exam and a 52% on the second exam after nights of studying the material. After the second exam, I mathematically couldn't pass the class and gave up. That negative experience turned me completely off to anything involving math and numbers and took me away from a path toward business and finance. As a naïve 17-year-old, I wanted the path of least resistance and the path that least likely led to my failure in college. My college advisor suggested Journalism after I told her I sometimes liked to write stories, and after little discussion, that was where I was placed. I was then ushered out of the office to make way for the next student. So much

for higher education.

I don't like to look back on the past with any kind of regret. I always believe I made the best decisions with the information I had at the time. Back then, I hated math, and nobody was there to tell me otherwise. In the process, I eliminated the possibility of taking business and finance courses in college, which would have ultimately led me down the path I should have taken. If I could go back, I'd shake the 17-year-old me and tell him: *You're meant for the world of business and finance. Not journalism. Quit being a baby.* No doubt the education I would have received in that field of study could have prevented some of my business failures. Now, all I can do is shrug at my decision to take the path of least resistance and make sure that I never make the same mistake again.

Business Mistake: Taking the Path of Least Resistance

You'll be faced with many difficult decisions in life. The available choices come with varying degrees of difficulty. For example, do you take the lower paying job close to home, or do you pack up and move to an area where you don't know anyone to take the higher paying job with better future career prospects? One choice gives you the warm and familiar feeling of being close to home, while the other sends you to a place where you don't know anyone, which could be uncomfortable for an indeterminable amount of time as you get your bearings and get to know people in the area.

Research suggests that humans are wired to take the path of least resistance.ⁱ The decision detailed above is one that millions of people must make over the course of their life, and millions will bypass the chance at a greater career and better quality of life simply because it meant leaving their comfort zone and being uncomfortable for a time.

It's easier to stay close to home and stay comfortable. It's easier to talk about starting a business instead of starting a business. It's easier to watch television instead of spending an hour at the gym lifting weights and staying in shape.

Many are inclined to play it safe to stay comfortable and avoid stress and anxiety. However, those people rarely end up doing something great in their career or life because they were too afraid to take the risks needed for great achievement. To better situate yourself for great achievement, get comfortable with being uncomfortable and avoid always taking the path of least resistance. That path most often leads to nothing but mediocrity.

After the dinner date with my mother, I began to look at jobs in Journalism and Advertising, which was my area of concentration. As I was doing so, it felt like the walls of the room were closing in around me. Here I was, looking at low paying jobs in a field I didn't have much of a desire to

work in for the rest of my life. Starting salaries ranging from \$25,000 to \$30,000 a year glowed on the computer screen. The numbers seemed to pop out at me in 3D, gaining a life form of their own. It was terrifying. As I read through the job descriptions, phrases like “10 vacation days a year” and “Office hours are a mandatory 8:00 to 5:00” shook me further. The thought of being told I had to be somewhere at certain time every morning made me dizzy. I wanted and needed more freedom than what I would be offered with these entry level jobs. All that kept coming back to me at this moment was my dad’s ability to call the shots and be “the man.” That is what I wanted to do. I wanted to be the man. “I can’t do this,” I said as I closed the browser with finality, while trying to keep feelings of anxiety at bay. I was finding the thought of life after college extremely depressing. I had to find another way to make a career.

It was the summer of 2005, before my final year of college, and I decided to take a job selling cell phones at the local mall kiosk to make extra money prior to graduation. This job was my first introduction to the world of sales. This was a few years before the debut of the iPhone, when flip phones with full color screens and Bluetooth capabilities were just becoming popular. The company I worked for had cell phone plans that lacked adequate coverage and the latest in cell phone technology. We consistently lost customers to the competition, national companies that were in the process of offering newer technology and a greater coverage area. It was tough to find the right angle and pitch to capture new customers, let alone retain the ones we currently had under contract. It was an eye-opening experience for someone who had never been in sales before. And there was no way around it, I was terrible at the beginning, sheepishly letting customers walk. However, the company got more competitive with pricing and later pushed out some newer technology, which gave me more confidence and the ability to attain a higher conversion rate. It was at this point that the backbone of success dawned on me. I had to believe in what I was doing if I really wanted to be successful in life. But what was it that I was supposed to be doing? I still hadn’t a clue. Thinking about it only made me anxious and that anxiety, what I would figure out later in life, led to bouts of depression. I tried to push the thoughts out of my head as much as possible, delaying the inevitable.

Business Mistake: Doing Something That You Don’t Believe In

It was during this time selling cell phones that I realized it comes down to passion and belief in what you’re doing. In sales, I believe the best salespeople are those who believe in what they’re doing and the product or service they’re selling. There is some aspect of the process that is intoxicating to them, whether it’s the product or service, the pitch or the close. When I first started in the cellphone business, I didn’t much believe in the product. The plans were outdated, and the technology had been surpassed by larger corporations.

But once I saw that the company was committed to catching up and challenging the competition, I immediately became more committed to closing customers, because I now had a greater belief in the product and service I was pitching.

If you don't believe in what you're doing, you'll eventually become disenchanted and less productive. I know its cliché to say, "find your passion," but its wholeheartedly the truth. Once I moved on from cell phones and discovered my love for entrepreneurship and real estate, I didn't care how many hours I worked. I was 100% committed to the process. My advice is to find your passion, and then figure out how you can make a living from that passion. However, if you find that you can't make a living from that passion, then all you've got is a hobby, and a hobby doesn't pay the bills. If this ends up being the case, then it's time to move on and find something more financially sustainable.

Chapter 2: My Introduction and Experiences with Multi-Level Marketing

One day while I was working at the cell phone kiosk, two-middle aged men came up to me and started firing off questions about the cell phones and plans. A heavy-set man with light brown hair named Grant did most of the talking. After about ten minutes of conversation, I started to think they were secret shoppers sent by my bosses to measure my sales acumen. But then, Grant abruptly changed the subject. His next few sentences would lead me down the rabbit hole that is multi-level marketing (MLM) and what many consider legal pyramid schemes.

“You know, I really like how well you are answering all my questions. I think I might have a business opportunity for you that would be better than selling cell phones,” Grant concluded.

“Oh?” I raised my eyebrows. He hooked me immediately. I was very intrigued. “What kind of business opportunity would that be?”

“I’ll tell you what. Let’s set up a meeting tomorrow at the Starbucks across town. I’ll tell you what I’m thinking. My colleague Josh will be with me,” he motioned back to Josh, thinner and shorter than Grant, with gelled black hair and pale skin.

“Um, sure,” I said, as I shook their hands. “I’ll see you tomorrow at Starbucks.”

As I watched them walk away, I felt proud of myself. *Hey, you did such an excellent job that these guys want to offer you a better business opportunity*, I thought. I went back to my apartment that evening, naively excited and filled with curiosity about what was to be discussed at Starbucks the next day.

When I arrived at the coffee shop the next day, Grant and Josh were already seated at a table in the corner. I shook their hands and sat down, ready to hear what they had to say. They started immediately into the pitch made by every MLM: *Run your own business, be your own boss, set your own hours, and become wealthy.*

“This business opportunity will let you do that,” Grant said as he removed some cards from his pocket. He then started into what I would learn is the backbone for Robert Kiyosaki’s famous books, *Rich Dad, Poor Dad* and *Cashflow Quadrant*,ⁱⁱ the latter which is based on the four basic

ways one produces income. In his book, Kiyosaki calls the *Cashflow Quadrant* the *guide to financial freedom*. I'll admit, it was a wonderful way to start the pitch, as I believe to this day that there is a lot of truth in Kiyosaki's income model, even if it was used to push me down the MLM rabbit hole.

"It's said that there are four ways to produce income," Grant said as he flopped down the first card with the letter "E" on it. "The first is as an employee. Obviously, that is what you're doing now. You work for a certain set of hours and you get paid for that work. Time spent at work equals your income. You are controlled by others who hold your future in their hands. They dictate how much you can work and how much you get paid. This is the most common way to produce income." I frowned as Grant talked. I knew that was not the way I wanted to go through life, with my future and well-being in the hands of someone else.

Grant then flopped down a card with the letter "S" on it. "The second way is through self-employment. You are your own boss. You can work as much or as little as you want, but your income is totally dictated by how much time you put in. A doctor or lawyer is considered self-employed. Real estate agents who work solely on commission are, too. If you were to step away from your job, you would stop producing income." This concept sounded more appealing to me. I knew I was not afraid to put in the hours needed to succeed. I liked the idea that hard work equaled potentially more money in my pocket.

The third card had the letter "B" on it. "The third way is as a business owner. You own a business and your employees work for you to make the business money. You don't have to answer to anyone, but you must ensure your business is being run correctly. The owner of a restaurant or car wash would be a true business owner. One thing to remember is that to qualify as a true business owner, you must have a system that works for you. You should be able to go on vacation for a week and your business will run as it should without you being present. Otherwise, you're just an employee to your own business and therefore you reside in the E category."

I broke into a slight smile as Grant continued. I liked what I was hearing the more he spoke. This B category was exactly the way my dad had operated for so many years.

"The fourth way is as an investor," he said as he flopped down a card with the letter "I" on it. As an investor, your money works for you. You can go on vacation for a month, and you'll produce an income. This is called "passive income." This is the type of income that everyone should be trying to attain. Passive income leads to the good life!" Grant exclaimed.

I was enthralled. *I want passive income*, I thought to myself.

“I was once where you are now,” Grant said as he pointed toward the card with the letter E on it. “I was selling insurance for an insurance company, but once I got into my current business, I’ve been able to double my income, pay off my mortgage and buy a new car. I’m currently in B and I’m making my way to I,” he said as he moved his index finger from the E to the B and then to the I card. I should be an investor within the next year at this pace. And I want you to join us.” Grant turned to Josh, who had been silently watching the pitch. “Josh here is making almost \$10,000 a month now in residual income. He’s been a superstar. Killing it. We think you can be a superstar, too.”

I admit. They had me fully hooked and I didn’t even know what the business opportunity was, yet. They could have been peddling heroin for all I knew, but I knew whatever it was I wanted in on it.

“So, what is the opportunity? What are you guys doing exactly?” I asked.

“We own our own businesses through a distribution network,” Josh said, speaking in sentences for the first time. “We are having a meeting in two weeks to talk about new business opportunities. I think that would be a wonderful time for you to see what we’re all about. It is in Cranberry.”

Cranberry was nearly two hours away from my hometown of Martinsville. But hell, it could have been twenty hours away, I was already committed.

“Okay, I’ll be there.”

Grant and Josh smiled. “Great,” Grant said. “Oh, and make sure to wear a suit and tie. This is a professional meeting, and we require that everyone look professional.”

“Okay, thanks for presenting me this opportunity,” I said, shaking their hands as we parted ways. I still had no idea exactly what the opportunity was, but I was willing to put on a suit and tie and drive two hours to find out.

I was driving through a downpour in the dark, halfway to Cranberry when my cell phone rang. It was my friend, Ben, looking to catch up. It would turn out to be impeccable timing on his part.

“What are you doing right now? There’s a lot of background noise,” Ben said.

“Well, to be honest, I’m driving to a meeting in Cranberry.” I had not told anyone about my meetings with Grant and Josh, nor the fact that I was driving two hours to this mystery meeting.

“What kind of meeting?” Ben asked.

“I’m not really sure. These guys came up to me a couple of weeks ago while I was working and started talking about a business opportunity they wanted to present to me. They said to come to this meeting dressed in a suit and tie. It sounded enticing, so I said yes. Now I’m on the way to the meeting in this downpour, but I really have no idea what the hell this meeting is about.”

“Oh, man,” Ben replied, with a hint of exasperation.

“What?”

“I think I know what it is.”

“Really?”

“Yeah, a couple of guys approached me the same way around six months ago. I went to a meeting that sounds a lot like what you’re doing. If so, it’s a bunch of bull.”

“Why is it bull?” I could feel my heart sinking.

“It’s this company called Amway or Quixtar or something like that. They sell groceries online, but the real goal is to recruit other people into the business. It’s like a pyramid scheme.”

“Pyramid scheme?”

“Yeah, it’s kind of hard to explain. Look it up. But trust me, if a guy gets on stage and busts out some generic energy drink, get out of there as fast as you can.”

“Okay,” I said, dejectedly. There was no hiding the disappointment in my voice.

“Wait, you were really looking forward to this meeting, weren’t you?”

“I was! They made it sound like it was this awesome opportunity that they wanted me to be a part of. I was pretty excited, to be honest.”

“Don’t feel bad. I was, too, when I first heard about it. Obviously, I went to the meeting and everything. Sorry though, I didn’t mean to dash your hopes and dreams,” Ben joked.

“No, no, I appreciate the heads up. It just sucks as I’m nearly there. I feel like turning around.”

“Just go in and see what you think, maybe I’m wrong.”

“I hope for my sake you are wrong, but from the sound of it, I doubt it.”

Ben wasn’t wrong. I arrived at the meeting location, a large ballroom at an upscale hotel in Cranberry. The presentation was quite impressive and well organized. There were around a hundred people at the meeting, all dressed in their very best business attire. I went up to the reception desk

and gave them my name, which had been registered on the guest list. They handed me a large packet of information and told me to take a seat in the room. I thought for a second that Ben was wrong about the meeting, but when I flipped open the information packet, my eyes immediately went to the word “Quixtar” in the upper right-hand corner of the packet.

“Dammit,” I whispered to myself. I looked around and the brightly-lit room suddenly felt enormous. Everyone else was talking with each other, deep in conversation. I sat there, isolated and alone. I didn’t see Grant or Josh anywhere. I wanted to leave, but I felt frozen to my seat with a feeling of embarrassment. I felt duped. Then, the presentation started as a middle-aged couple, dressed to the nines, took the stage.

“Jim and I are now Platinum members making more than \$25,000 a month. We just got back from vacation and I’m getting a new BMW,” a blonde woman exclaimed to a thunderous applause from the crowd.

A middle-aged man with a large frame then took the stage. He was also well dressed, with slicked back hair and a watch that flashed in the fluorescent light. “I’m now up to \$15,000 a month in residual income. My business runs itself. I’ve got a talented team under me. If you really want to quit your job, run your own business and make a residual income, this is the way to do it.” The crowd again erupted in a rousing applause.

I looked around with skepticism. If I had not been warned by Ben prior to the meeting, I would have probably been on the edge of my seat. Instead, my arms were crossed as I leaned back in my chair, a frown forming as I watched everyone take in the presentation.

The man with the slicked back hair left the stage, and a wiry guy with thinning brown hair and glasses took the stage. He was older, and dressed more casually, but moved about the stage with fervor.

“You’re all here because you’re looking for a change. You’re looking to make more money. To have more freedom. To get out of the rat race. How many of you look around as you’re driving to and from work, horns honking, people in their cars, miserable, and think, ‘I’ve got to get out of this,’ but you haven’t found a way? I’ve got the key.”

There was a silence as he turned around with his back to the audience. He then reappeared with an aluminum can with a zany logo on it. I immediately knew it was the generic energy drink Ben had mentioned earlier on the phone.

Oh, great, I thought, burying my head in my hand and rubbing temples. The rest of the guy’s spiel was a thirty-thousand-foot view of Quixtar’s business model. Essentially, as an independent

business owner (or as they called it, an IBO), my main goal would be to convince other people to join the company and buy Quixtar's products through its website online. These products ranged from the generic energy drink at the presentation to health creams to diet supplements. Anyone I recruited would be in my "downline," meaning I would get a commission every month from the products they bought. Brian and Josh would be in my "upline" if they successfully recruited me. The kicker of being an IBO is that the purchase of Quixtar products every month was mandatory, to the tune of \$99. This \$99 per month was on top of the \$255 in enrollment fees at sign up. They billed this as a positive: *Only \$255 and \$99 a month to own your own business? What other company can say that?*

I would later learn that Quixtar's parent company was Amway International, the largest MLM company in the United States. In Amway's disclosure statement as of 2011, the average "active" IBO earned \$115 per month.ⁱⁱⁱ So much for being an exciting business opportunity.

After the meeting, I tried to escape quickly, but immediately ran into Grant on my way out the door. I cringed.

"So, what do you think?" Grant said, with an older, disheveled, heavy-set man beside him. Josh was nowhere to be found. The older man immediately chimed in. "This business is great. It really is great," he said as he held up his info packet. "These CDs and books will show you exactly what you need to do. There is also a ton of other info on the company website, as well." This guy came across to me like someone who could be roped into anything.

"Cool," I said, not trying to sound too disinterested. "It definitely sounds like an enticing opportunity." The heavy-set man stood there and looked at me with googly eyes. I could tell he was drinking the Quixtar/Amway Kool-Aid. I slowly slunk out of the room and headed for the lobby.

I barreled out the door into the cold, wet February air. I got into my car to drive back to Martinsville, immensely disappointed as to how the last three hours had unfolded. Back at home, I hopped on my computer and did a bit more research on Quixtar and Amway and the MLM business model. The idea of trying to recruit people to join my downline and buy their groceries online for \$99 a month sounded like a very uncomfortable and deceptive task that would alienate my inner circle of friends and family. There was no way I thought it had any chance of success. I'd have to hound the hell out of anyone I met. There was no way I was going to do it.

I called Grant the next day to tell him that I was not interested, but luckily got his voicemail and left him a message telling him the business opportunity was not for me. I never heard from him again but did see Josh several months later in a restaurant booth, giving the same pitch to a young woman that Grant had given to me. I sometimes wonder what those two are up to, but I highly

doubt they're still with Quixtar and Amway.

It wouldn't be my last brush with MLMs. Several years later, I met a guy named Ron at a networking event. He had just joined a brand-new MLM company called Numis Network. This company was based out of Tampa, Florida, and the product line being pitched was silver and gold collectible coins. For \$79 a month, I'd get shipped a brand new collectible coin comprised of one ounce of pure silver. Ron pitched me the company, and I was immediately wary given my experience with Quixtar and Amway. However, Ron had already become very successful with Numis, and told me he was making more than \$20,000 a month. I built a relationship with Ron over the next couple of months, and I came to trust him and his opinion. I saw the collection of gold and silver coins as a possible investment vehicle. "These coins will appreciate over the years," Ron told me.

I did some research on collectible coins and how much they could possibly be worth in twenty years. I found conflicting information, but I felt like giving this one a try because of Ron and his success. I had allowed Ron to pull me back into the MLM world. I enrolled in his downline with another friend of mine whose business mind I respected. I felt like accruing collectible coins as a very small side investment vehicle made for a decent sales pitch, and I had Ron to guide me.

I told a few friends about the new company and asked them to join one of Ron's many weekly webinars on the company. There was no doubt this was Ron's calling, and he was incredible on these webinars. A few of my friends seemed genuinely interested, and my harsh opinion on MLM's started to soften. Ben, who had warned me about Amway, joined into my downline. He would be my only MLM customer and my only commission check from MLMs to the tune of fifty dollars.

Shortly after, Numis pulled the carpet out from underneath my sales pitch. They sent out a video to everyone within the company stating that we could not say the coins were an "investment" or an "asset." It was at this point that I knew it was just another bogus MLM, and I quickly closed my account. That was it for me and MLMs. *Never again*, I told myself.

Ron went on to become the top earner in Numis. He allegedly made over \$1M in three years with Numis before it was mysteriously shuttered and absorbed into another MLM. Today, Ron teaches others MLM recruiting tactics via his MLM website.

Which leads me to the main reason MLMs exist: False hope and opportunity.

Business Mistake: Enrolling in a Multi-Level Marketing Company (Pyramid Scheme)

Unless you're a founding member or at the top of the "pyramid," enrolling in an MLM can be a terrible life decision. MLM companies' favorite pitch today is that traditional companies are pyramid schemes. The CEO makes all the money while the lowly employees

make nothing. Sure, but at least the lowly employees are guaranteed an income for the work performed, usually with a full benefits package as well. There is a reason the average IBO in Amway only makes \$115 a month. It is an enormous amount of work to get one person into your downline. You must be willing to approach anyone and everyone. Once enrolled, keeping them in is equally as difficult. So, to keep your income up, you must be out recruiting new people all day, every day. Ron did webinars several times a day. He spoke with people on the phone daily. He pitched anyone that he met. But the key is that he was one of the first people to enroll at the company, and I later found out he became good friends with the founders of Numis.

Most assuredly, Ron and the founders of Numis made a ton of money. Not only off the coins sold way over market price,¹ but by the teaching materials and CDs and promotional materials the company urges you to buy to increase your chances of solidifying your downline. Are MLMs an outright scam or Ponzi scheme? No. Are they a colossal waste of time for 99.9% of the population? Absolutely. My advice is to avoid them at all costs.

Today, I see people on Facebook and LinkedIn pitching their MLM products to everyone on their feeds. I'll receive one or two messages a month from people asking me if I'm interested in making more money through some incredible opportunity they have to offer me (I probably have an MLM offer in my LinkedIn inbox as I'm typing this). I feel bad for these people, wasting their time on a business model that is unsustainable.

Yet, from gut medicine to neon energy drinks to life insurance to steak knives, there is seemingly an MLM for every product or service imaginable. These people unabashedly flood the feeds of their friends and colleagues with tales of MLM success at the onset of their enrollment, only to see that social activity slowly dwindle as they realize there is no money to be made in MLMs. One Facebook friend of mine has resorted to outright lies and deception to recruit individuals into his "financial services" MLM, preying on less educated people with wild tales of wealth just waiting to be seized by those willing to embrace the grind.

There is one thing in common with all these MLMs—the people at the top are the ones making all the money off recruitment enrollment fees and marked up monthly subscriptions for mediocre

¹ I recently listed the coins I purchased with Numis on eBay. One of my coins, an American Silver Dollar recently sold at auction for \$35, less than half of what I paid for it eight years prior (\$79). No wonder they told us that we couldn't use the words "investment" or "asset." The coins did not appreciate one cent in nearly a decade. The price markup of the coin sits in the pockets of the founders, who took advantage of chumps like me that bought into the business model, if only for a short while.

products or services. If there are people out there willing to give it a shot, these MLMs will continue to prosper. As for me? Never, ever again.

Chapter 3: So, I'll Work for Myself (Kind Of)

Once I concluded that I did not want to go into the field of Journalism, work for some corporation, or go the MLM route, it was time to figure out what I was going to do instead. It was a few months after I had graduated from college, and I had left the cell phone business and was working for my dad's moving company. It was my grueling experience in the moving business that helped push me to demand more of myself.

I was working ten hours a day in the hot sun, torrential downpours, or snowstorms to deliver furniture for my dad's clients. While I only did this for seven months, it had a sizeable impact on my life. Some of the men I worked with had been employees at my dad's company for nearly twenty years. That is, twenty years of packing and hauling other people's dusty, old furniture day in and day out. Some of these men had wrecked their lower back or their knees were shot from years of heavy lifting. I remember my first day on the job. I had to help another one of my dad's employees load a college kid's furniture into one of the freight trucks. The kid lived on the top floor of his four-story apartment building, which had no elevator. Everything had to be carried down a narrow flight of damp, wooden stairs. The entire time the kid was watching us making sure we didn't damage any of his furniture or drop any of his things. It was physically and mentally taxing. A lot of the furniture hadn't been wiped down in years and was covered in a thick layer of dust. My eyes and nose were running an hour into the day. As an asthmatic, I was constantly puffing on an inhaler and trying to catch my breath. It was misery.

It was also misery working for my dad. He was an extremely demanding person (and still is), who always wanted the best work from me and my older brother, who had already been in the business for the past ten years. There often were arguments between us, which usually led to me walking off the job, only to be urged back to work by my mother to keep the peace. It was a toxic environment. I resented waking up at 6:30 every morning to go move furniture, knowing that at some point in the day I'd get into an argument with my dad, my brother, or both.

Business Mistake: Employing Family Members

This doesn't necessarily have to be a business mistake, as there are certainly benefits

to hiring family members into your business. You already know who they are and often-times they're more vested in wanting to see your business succeed. Some parents hire their kids at a young age to instill a proper work ethic and build character. In my family's instance, my dad could trust my mom to file paperwork on time and could trust my brother to ensure that jobs were done correctly.

However, hiring family members can often backfire. They might try and take advantage of you or abuse their business privileges, believing that as a family member they deserve preferential treatment. Or, as the boss, you may pay your family members less than your other workers to prove a point that they aren't more valuable than anyone else. This type of behavior can hurt company morale and make relationships toxic on the home front.

I would later employ my sister as the manager at one of my businesses, only to see the rest of my employees slowly revolt against her for her management tactics. Being the big brother, I brushed off their concerns more quickly than I would have otherwise. I knew my sister better than most. However, the complaints persisted. This eventually put me in a tough situation in which I had to choose between the well-being of my business and my own sister. My sister ended up voluntarily walking off the job, straining our relationship for a short time and leaving me with a void in management—which hurt my business for a short time as well. It was a double whammy.

When deciding to hire family members, it is best to draw very clear boundaries up front so that there is not any abuse from either side. Be cognizant of how you're treating family members and how they're treating the business. Make the quick decision to change the arrangement if the situation calls for it. In my case, I held out too long and my business, my employees and my sister suffered because of my lack of inaction.

One cold November morning, five of us had to be at a large move up in the mountains outside Martinsville at 7:30 in the morning. All the furniture in the home was comprised of solid oak, which included an executive desk that weighed half a ton, which located in a loft above the garage. The job was exhausting, with heavy item after heavy item having to go down several flights of stairs. Getting the executive desk down from the loft took all five guys and more than an hour to complete to keep from damaging the piece. Working straight through the day, we didn't complete the whole job until almost 7:30 at night, and by that time it was dark. Everyone was completely exhausted. It was probably the longest day of grueling manual labor I'd ever experienced. Driving home, my entire body ached from carrying so much heavy furniture over long distances.

But that was the day that really lit a fire. I realized that I had to bust my ass and get out of my

situation as soon as possible. I knew I was meant to do more than move furniture for a living. That night I met my sister out for a late dinner with a friend of hers who was a local real estate agent. She had joined her mom's real estate brokerage about six months prior. As I was speaking with my sister's friend through a nose full of dust, she began to expound on her day-to-day duties and responsibilities representing buyers and sellers in the local market. My moral perked as she spoke.

"I made a \$7,000 commission this week. What is great is that the more you work, the more you can make," she exclaimed. "Plus, you get to make your own schedule."

I quickly did the math in my head. \$7,000 was more than what I had made in the last three months moving furniture. The thought of reaping greater rewards for challenging work instead of having a glass ceiling placed over my income was a reminder of what I had learned from Grant's MLM pitch in the Starbucks that day, and later in Robert Kiyosaki's book. I had always been slightly curious about real estate and real estate markets. Getting to make my own schedule was a great additional perk. It seemed like a logical step for me to take into a new career. I immediately asked her, "Where do I sign up?"

"Just buy the testing materials and take the state exam. I know my mom would take you in as a new agent. She'll help you get started."

By this point, I was beaming with excitement. This was it. I had found something I was interested in that checked all the boxes—and it was something that wasn't going to bind me to a desk every day for a set number of hours.

I went online the next day and bought the course materials I needed to study for the real estate exam, and I studied in the afternoons during the winter after work. I was eager to read the material, learning about deed types, real estate laws, and my future duties as an agent. I registered and took the test with about sixty other people at the state capital building within two months of receiving the material in the mail. I finished the test so fast that I was the first one done and out of the facility, and there was no doubt in my mind that I had passed. This was my ticket to a life in real estate and I had growing confidence that it was the field meant for me. I soon received a letter in the mail saying I had passed, and my newly minted real estate license was mailed to my broker so that I could begin my illustrious real estate career as a top-producing real estate agent.

My excitement lasted exactly six days into my new career. I received my first client on a Tuesday via a referral from my brother's father-in-law. At first, I thought I was in luck. He told me it was an older couple coming from another state, looking to settle down in a more rural area, and Martinsville fit the bill. They set their price range at around \$400,000. I quickly did the math. After brokerage splits, I was looking at \$5,400 in total commissions. That was a large amount of money to me at

the time, and it had me intrigued to close my first deal. I set up appointments for them to view sixteen homes over the course of two days. When they came in, I toured them all over the Martinsville area in my SUV, showing them all the town's demand drivers and all the amenities around town as we went from house to house. I was a nervous wreck the entire time, wondering if I was driving too slow or too fast, hoping that I wouldn't take a wrong turn and get lost in my own hometown (I did). After spending my entire weekend with this couple, we gathered at their hotel on Sunday evening to discuss their options.

"So, after eliminating some of the properties yesterday and today, do you think there are three or four in your final list?" I said as we walked back into the lobby of their hotel and sat down in the dining area.

"Well, after looking at these homes and what they cost, we feel we may just be better off staying where we are and possibly looking elsewhere at some point in the future. We want to thank you for your help. We're going to go ahead and hit the road to get back home," the wife said as she extended her hand.

"Oh, uh, okay," I said, dumbfounded. "Have a safe drive back and take care. Please give me a call if you have any questions on anything."

And that was it. They turned around and headed out to their car. I was completely floored, and despite my attempts to follow-up, never heard from them again. It was a rude awakening to the career path I had chosen. I had just put in nearly twenty hours of work over the weekend that resulted in exactly zero income. In fact, I'd lost around \$75 on gas and the money I spent taking them out to lunch. The couple conveyed zero remorse for taking up so much of my time. When I told my broker what had happened, her response was, "Welcome to the wonderful world of real estate!" It was a warm welcome, indeed. Surely, things had to get a little easier from there.

But things didn't get easier. Building a client base as a new agent was tough but building a client base as a new agent at the age of 23 was nearly impossible. I faced age discrimination and doubt from potential clients at every turn. My broker, feeling my frustration, tried throwing me leads to help me, while also giving me motivational speeches talking up my "potential." I manned the brokerage phone every chance I could get in the hopes of getting new leads; however, the veteran agents snatched up all the best phone time when potential leads were most likely to call (the weekends and Monday mornings). I contacted the people in my sphere of influence, reminding them that I was now a licensed real estate agent. I felt that if I continued to put in the time, the results would come one way or another. I was very, very wrong.

This is when I first experienced the fallacy behind the old cliché tropes about hard work and

dedication. Sometimes, it simply doesn't matter how hard one works, incurable circumstances can end up making all the difference between success and failure. Nothing was going to change the fact that I was young man just starting my career, or that there were already 300+ agents in the market vying for business in an area with a population of 150,000. After months of little business, I realized I needed to think up of other ways to gain income. My mind floated back to Kiyosaki's book. I was sitting in the "E" quadrant, but felt it was time to take a step into the "B" quadrant. I had to find myself another income stream to pay the bills while I tried to get my real estate career off the ground. My vehicle for an additional income stream would come from an unlikely source.

Chapter 4: My First Foray into Business Ownership

A friend came over to my apartment one day after work holding the Classified section of the local newspaper. “Want to buy a tanning salon?” he laughed as he plopped the paper down onto the table. We turned our attention to that evening’s happenings, and I didn’t give it any more thought until I glanced at the crumpled newspaper the next day after I got home from work. It had been another day of phone duty at the office that had resulted in no real estate leads. I looked closer at the ad.

TANNING SALON FOR SALE

Adjacent to Downtown Campus

Business & Assets Only

Price: \$60,000

A \$60,000 price tag for a tanning salon? At first glance, it seemed reasonable. However, I had zero business experience at this point in my life, so what in the hell did I know about how much a tanning salon should cost? I called the number listed on the ad and spoke with the owner, who revealed the location of the salon. It was right across the street from the main campus of the state’s flagship university, located in downtown Martinsville. It was a university with an enrollment of nearly 27,000 students. The owner stated that he had his own insulation business and another tanning salon about forty-five minutes away and was looking to downsize his workload.

After reaffirming the \$60,000 asking price, I hung up and called a friend of mine named John to see if he would be interested in a partnership. John had been a close friend for years and was enjoying immediate financial success out of undergrad in the field of engineering. I sought out a partnership with him for two reasons: Having no business experience, I needed someone to help make the business decisions, and I needed his capital to reduce my exposure in the business. I knew John had the capital to invest and had mentioned in passing his desire to invest in a business venture during past conversations of ours. After describing the opportunity to him, he was sold. It looked like a good opportunity for both of us to gain an additional stream of income. There was only one problem: Neither one of us had a clue as to how to run a business, let alone a tanning salon.

It was early May of 2007, and the students at the university were getting ready to leave for the summer. This gave John and I the opportunity to take over ownership of the salon during the summer months, when a large amount of intended target market was on summer vacation. We agreed with the owner on the \$60,000 purchase price with a sixty-day due diligence and a closing date of July 1st. While we wouldn't have much in the way of gross income at the onset of ownership, it gave us approximately forty-five days to learn the tanning business and immediately address any problems that could arise before the students came back for the fall semester.

There were no immediate red flags during our due diligence. The profit and loss statements provided by the owner did show that the business was slowly decreasing in annual net operating income (NOI), to a low of \$10,000 in NOI during the most recent year of ownership. I asked the current owner the reason for the downtrend, and his answer was sufficient to John and me, "My insulation business is taking off, and I simply don't have the time to take care of a business forty-five minutes away. It needs a local owner." I checked the news on the tanning industry, and while I came across the usual articles on tanning and its relation to skin cancer, there was nothing that stood out to me as particularly alarming or harmful in the long-term for the industry.

I figured the next step was to separate the curable problems from the incurable problems. The main positive during my first walkthrough of the business was that there were no visible incurable problems. The salon was in an English basement-type of commercial space across the street from the university's chemistry building. The ceiling of the salon was above street level, while the floor of the salon itself was seven feet below street level. Customers entered the salon off the street, and immediately stepped down a flight of stairs to the lobby below. The front façade of the building was all glass, allowing those who walked past on the sidewalk a full view of the front lobby of the salon. The top floor of the commercial building was occupied by a convenience store called The Dominion, which catered mainly to students with an offering of porno magazines, snacks, and drug paraphernalia. The building had one unique feature. The main floor of The Dominion was set back approximately fifteen feet from the front of the building, which allowed the lobby of the salon to span from the basement floor to the building ceiling, creating a large and open two-story foyer nearly twenty-five feet high. The salon was huge, nearly 4,000 square feet, and it held twenty beds connected by two long main hallways that spanned the length of the building. There was also a back entrance to a city parking lot behind the building.

The space was set up perfectly, and since the space was mostly below ground level, it remained cool despite the heat given off by the tanning beds. The lease in place was up for renewal, and the building owners were willing to sign a new five-year lease with whomever bought the salon. I also knew that the closest competitor was on the other side of campus.

The curable problems were clear. The carpet throughout the salon was old and soiled. The current owner was trying to sell merchandise in the lobby, which looked like it had been sitting on the racks since the 1990s. There was not much in the way of selection when it came to tanning lotions. These were things I deemed could be easily fixed without much in the way of capital costs.

The tanning beds were a different story. While there were twenty beds in total, eighteen of the beds were of the same model. One room was filled with a Mystic Tan™ spray tan booth, and the remaining bed was a stand-up model, where customers stood in an upright cylinder filled with tanning bulbs that hit them from every angle, leaving no tan lines. When I asked the owner why he had eighteen beds of the same model, he responded, “Students don’t care about the bed model, they just want to get tan.” I quickly found enormous fallacy in this statement after doing some research online and speaking with the current employees. People wanted variation. They wanted choices, even if they were young students. Within ten minutes of touring the salon, I knew that bed selection was going to be my main problem.

After interviewing the current manager, Kristin, I decided that it would be in our best interests to keep her on staff to help facilitate the changeover. After making this decision, we felt we had done our proper due diligence and we agreed to move ahead at a purchase price of \$60,000, which leads to a mistake I would often make over the years.

Business Mistake: Not Negotiating

Negotiating is an integral part of business. In our haste to close the deal, we took the current owner’s initial offer of \$60,000. After doing our due diligence, viewing the profit and loss statement and realizing the capital injection that was going to be needed to bring the place up to the new standard we wanted to set, John and I should have gone back to the owner and renegotiated a lower purchase price. This negotiation tactic is called a “re-trade.” But we were young and anxious, worried that we would miss out on the opportunity after the seller mentioned to us that he had other interested parties. In the end, there could have been the possibility to get him down \$5,000 or more based on the NOI, but we never pushed back on his asking price. He had also successfully baited us by mentioning that there may be other buyers in the market.

Never be afraid to negotiate in fear of losing a deal. Based on the business’s current financial performance and physical state, John and I ultimately overpaid for the salon. As a buyer (or seller) in this type of negotiation, it is best to establish a ceiling (or floor) on the purchase price as well as a best alternative to a negotiated agreement (BATNA). John and I didn’t have a BATNA. We should have brought forth our case for a lower purchase price

based on our due diligence, but we didn't. The worst thing the seller could have said in this instance was no. We opted not to negotiate out of fear of losing out on the deal. While it wasn't a crippling mistake, it was one that potentially cost us thousands of dollars. That was a lot of money to us at the time.

The bank, while not wild about the profit and loss numbers, saw the same potential in the business as John and I did, and did not balk at the agreed upon purchase price. We decided to finance half of the \$60,000 purchase over six years which gave us a monthly debt payment at approximately \$590 a month, or a little over \$7,000 a year. Financing half the purchase allowed us some cash reserves while also not overleveraging the business. The last thing John and I wanted to do was default on our very first business loan.

Business Mistake: Being Overleveraged

Debt is extremely important in business and oftentimes a vital piece needed to complete the purchase of an asset. Whether it's in small business, corporate mergers, or real estate investing, debt allows buyers to purchase assets they otherwise wouldn't be able to afford through the lending of debt or other people's money (OPM). The ratio of debt to equity used in a transaction or to describe a company's financial standing is called leverage.

Purchasing assets or operating a company using higher leverage carries with it substantially more risk. The higher the amount of debt on the books, the more cash needed on hand to service that debt each month. In turn, lending institutions will usually charge a higher interest rate when issuing loans that carry greater risk of default (higher leveraged positions).

Now, when times are good and profits are high, a higher leveraged position allows borrowers to maximize their cash on cash returns. However, if markets dip, borrowers can quickly find themselves in an overleveraged position, unable to satisfy the monthly debt service. See the illustrations below for an apartment purchase using two types of leverage. One at 65% debt and the other at 75% debt at a purchase price of \$500,000.

Apartment Purchase at 65% Leverage	
Purchase Price	\$500,000
Debt	\$325,000
Equity	\$175,000
Projected Cash Flow (Monthly)	\$3,000
Interest Rate	5%
Loan Term	25 Years
Monthly Debt Service	\$1,900
Net Cash Flow (Monthly)	\$1,100
Cash on Cash Return	7.54%

Apartment Purchase at 75% Leverage	
Purchase Price	\$500,000
Debt	\$375,000
Equity	\$125,000
Projected Cash Flow (Monthly)	\$3,000
Interest Rate	5.5%
Loan Term	25 Years
Monthly Debt Service	\$2,303
Net Cash Flow (Monthly)	\$697
Cash on Cash Return	6.69%

While the purchase with 75% leverage requires less money down, the lending institution is charging a slightly higher interest rate on a higher amount of debt issued to the borrower, resulting in more than \$400 in additional debt service each month. This cuts down on net cash flows, but the borrower has gotten into the deal while having to bring less equity to the table. When times are good, the high leveraged borrower will enjoy a higher rate of return on their investment than the lower leveraged borrower, as illustrated below:²

Apartment Purchase at 65% Leverage		Apartment Purchase at 75% Leverage	
Stress Tested at 25% Market Bump		Stress Tested at 25% Market Bump	
Projected Cash Flow (Monthly)	\$3,750	Projected Cash Flow (Monthly)	\$3,750
Monthly Debt Service	\$1,900	Monthly Debt Service	\$2,303
Net Cash Flow (Monthly)	\$1,850	Net Cash Flow (Monthly)	\$1,447
Cash on Cash Return	12.69%	Cash on Cash Return	13.89%

The higher leveraged borrower, having pledged \$125,000 in equity, is seeing more than a 1% better return on that money in a strong market than the lower leveraged borrower who pledged \$175,000 in equity, even though the lower leveraged borrower is seeing a higher cash flow. The higher leveraged borrower is benefitting more in a bull market.

However, this higher leveraged position makes the borrower more susceptible to depressions in the market, as illustrated below:

Apartment Purchase at 65% Leverage		Apartment Purchase at 75% Leverage	
Stress Tested at 25% Market Drop		Stress Tested at 25% Market Drop	
Projected Cash Flow (Monthly)	\$2,250	Projected Cash Flow (Monthly)	\$2,250
Monthly Debt Service	\$1,900	Monthly Debt Service	\$2,303
Net Cash Flow (Monthly)	\$350	Net Cash Flow (Monthly)	(\$53)
Cash on Cash Return	2.40%	Cash on Cash Return	-0.51%

The lower leveraged borrower is better able to withstand changes in the marketplace that may affect cash flows. In the example above, a 25% dip in the marketplace for the borrower at the higher leveraged position results in negative cash flow. This makes the borrower overleveraged. While the lower leveraged borrower is not making a strong return, they can at least meet their debt obligations each month and continue to operate.

John and I wanted to make sure we took an adequate position of leverage. We didn't want to have to pledge too much cash up front, but we also didn't want to borrow the whole purchase amount. In the end, we felt that 50% debt to equity position was suitable for us given it was our first business venture. It allowed us to keep some of our own money in our pockets for renovations while also not saddling the salon with a large debt payment

² A stress test, in financial terms, is an analysis of an asset's performance during different financial situations to test how returns are influenced by different market conditions.

each month. In the end, it was the perfect amount of leverage for us.

The previous owner had no debt on the business, so by financing half the purchase, we cut the annual cash flow based on the trailing twelve-month performance down to \$3,000 a year. We were now operating on a thin margin based on the business's current financial performance. However, we felt that with the impending renovations, we would be able to increase the business income quickly. After accounting for new laminate flooring to replace the dirty carpet along with additional cosmetic improvements, we were immediately in the red with forty-five days of little business before the students returned. John and I both pledged \$5,000 each in working capital, which brought our capital investment up to \$40,000, or \$20,000 each. While I was unaware of what John's financial situation was, for me the \$20,000 represented half of my total net worth, which was comprised solely of money stashed away by parents over the years when I was growing up. We closed on July 1st of 2007, and after signing the closing documents, my first business venture was underway. Little did I know, as I walked out of the bank that day, the ridiculous road I was about to traverse.

Chapter 5: A Taste of Success

It is quite a unique feeling, walking into a business knowing you're the owner of that business and responsible for its day to day operations. I remember the feeling when I walked into the salon for the first time after we closed on the purchase. I immediately approached the salon as if it were a living, breathing organism, and it was time for me to resuscitate it. I rebranded the salon in art deco to reflect a more Miami style vibe and renamed it South Beach Sun. The new laminate flooring was a light wood color, giving the impression of a beachy boardwalk. I added some new furnishings to reflect the new vibe and freshen the place up a little bit with new coats of paint. John and I did what we could with the money we had to spend, but the changes made a huge difference to the salon's first impression.

It was understood between John and I that we would both be involved in ensuring the business would run smoothly, so for the first couple of weeks, I teamed up with our manager, Kristin, as she walked me through the point of sale system (POS), the daily open and close processes, and daily chores. Very early on I noticed that John didn't have much interest in learning how the business worked, and quickly made himself scarce. It didn't take long for it to dawn on me that I was going to be on my own when it came to the day-to-day operations. This leads me to another business mistake, one that I would make time and time again.

Business Mistake: Operating without an Agreement

John and I made the mistake of going into business ownership together without a business operating agreement. At that point, we did not want to spend the money to have an attorney draw up an agreement when we felt we could take each other at our word. This was a horrible idea; however, I know for a fact that there are multi-million dollar deals still made today on a handshake or oral agreement. In today's overly litigious society, operating a business with a partner or multiple partners without an ironclad agreement is foolhardy and a setup for disaster. An agreement should be in place that, at least, spells out the following:

- All participating members in the business
- The initial equity pledged by each member and percentage interest
- Each member's specific responsibilities
- The allocation of business profits (and losses) based on each member's responsibilities and percentage of ownership
- Hold harmless/limits of liability provisions
- Default clauses
- Dispute resolutions
- Termination/Liquidation clauses

As I would learn the hard way, an operating agreement is an absolutely vital part when starting a business with a business partner(s). Spend the money on an experienced attorney to draw up an agreement that satisfactorily addresses the course of action in the event of any potential future conflicts, because I guarantee there will be future conflicts.

Also, these operating agreements should be reviewed on a yearly basis, as circumstances and laws may change that affect the agreement. The agreement should be amended, if needed.

John and I had created a Limited Liability Company (LLC) called South Beach Sun, LLC to operate the business. We were both listed as members of the LLC, but that was as far as our membership agreement went on paper. As time went on and John became less and less involved in the business, I had no immediate recourse of action. Given the amount of time I was investing into ensuring the business was operating correctly, I should have had the ability to demand a larger split of the profit. However, with no agreement in place, I was stuck. I couldn't fully blame John. He had a successful career in petroleum engineering, and it was short-sighted of me to think that he had the time and desire to spend as much effort in the tanning salon business as I had planned to put into it. He simply trusted me with making sure things ran correctly and that I took care of his investment. An operating agreement would have made things between us a lot easier.

It quickly became just Kristin and I, as we loaded up on new hires to get ready for the fall semester. I became a member of a tanning salon forum online and found it to contain an immeasurable amount of information on the industry. I spent hours every day on the forums learning the industry from the experts, from lotion types to bulb types to the different tanning beds on the market. This forum had a separate room for tanning bed buyers and sellers, which allowed me to address our most immediate problem: We needed some beds that would "wow" our customers, and that signaled that an ownership change had been made. What I soon found out was that the wow factor

came at an enormous price tag.

As I perused the online marketplace, I quickly came across tanning beds that cost \$50,000 to \$60,000. I was stunned. I could not believe that there were tanning beds out there that cost the same price as a loaded BMW, and I sat in front of my computer with sticker shock as even the average used beds ran anywhere from \$5,000 to \$25,000. I needed to get creative if I wanted to have a new bed in the salon by the time the semester started. After days of searching, I came across a listing for a bed that looked like a spaceship from the 1970s. The bed was called the Kombi. The bottom portion of the bed was a mattress that vibrated while the user tanned, while the bed canopy consisted of high-end bulbs lowered down over the customer. I quickly understood why the bed was for sale. The seller operated an upscale salon in the wealthy suburbs of Philadelphia, and he needed to make room for a new bed. This was his oldest bed, and since customers had to lay on a mattress, it took them twice as long to get a full body tan, cutting down on his turnover rate. He was offering \$2,500 to unload the Kombi. I immediately jumped at the offer and failed to negotiate once again. This purchase signified the end of John and I's working capital. While this bed had outlived its usefulness at a salon in a wealthy suburb, I felt that with the right marketing spin it would be a worthy addition to South Beach Sun.

John and I picked it up and had it installed in our salon within two weeks. We put it in the front room of the salon and made it the new showpiece that people could see from the street. I marketed it as a bed that gave customers a chance to relax in between classes while getting the highest quality tan possible. Given the bed's unique look and the lack of selection for customers the previous year, the Kombi was an immediate hit with our customer base. I was able to charge \$20 per session for the bed instead of the \$5 I was charging for a session in a regular bed. Assuming the bed clocked half as many minutes as a regular bed, I quickly did the math to see if we were making a good financial decision to purchase the Kombi. I penciled out that it would take me approximately eighty-three days of usage to recoup the total cost of the Kombi. Not a long time to wait to see a return on the initial investment.

	Kombi	Base Bed
# of Sessions	6	18
Minutes Per Session	30	20
Total Minutes	180	360
Price Charged	\$20	\$5
Daily Gross Profit	\$120	\$90
Monthly Gross Profit	\$3,600	\$2,700
Daily Profit Margin	\$30	
	Purchase Price	Days to Recoup Cost
	\$2,500	83

Over the first forty-five days of ownership, all the following changes were made or implemented, each one contributing to the salon's renewed success:

- Rebranding to South Beach Sun with an art deco vibe
- Removal of cheap merchandise in the lobby and non-tanning related items
- New inventory of quality lotions
- Removal of the old dirty carpet and installation of high quality laminate
- Installation of the Kombi

These changes generated a good buzz as the students started to trickle in for the new semester. I implemented a marketing plan that included coupons in a coupon book given to students as they came back into town for the new semester, and advertisements in the student newspaper promoting new ownership and new specials. Kristin and I had our new hires trained and ready, and I tweaked the closing process to ensure that proper accounting methods were being used. This would prove vital, as I soon learned.

Business Mistake: Blind Trust in Your Employees

It sounds cynical, but it's true, especially in service-based, cash-based businesses. This is not meant to paint all my past employees in a bad light. As I'll explain later in this book, I've had some wonderful employees over the years, but I've also had my fair share of lousy ones. Some have cost me several thousands of dollars, either through stealing or giving away product. My experiences with employees have led to me to adopt a "Slow to hire, quick to fire" mentality. Although I only paid my employees slightly above minimum wage, I attempted to vet each hire as best I could. I would pay the price, significantly, for the time I got sloppy with my hiring process.

When dealing with employees, it is especially important to keep a series of checks and balances in place to guarantee that theft is not occurring. Never let one employee have too much control over a certain aspect of the business, especially if that aspect involves the company financials and bookkeeping. As I would unfortunately learn, some of my employees had the mentality that if they got caught and fired, they'd simply go work somewhere else that needed immediate help.

Also, keep track of each employee's performance while they're at work. Are there certain employees that correlate to a bump in profit? A decline in profit? Put the well-performing employees into the best positions to succeed, while weeding out and eventually eliminating those that fail to produce results.

Ultimately, you must be present at your business. Absentee ownership and trusting your employees with operating the business while thinking you can sit back and count the money is the most sure-fire way to business failure. I've seen many people try this. It doesn't work. Ever.

The POS system already in place at the salon was a piece of crucial technology. Every customer's fingerprint was on file via a fingerprint scanner, and the tanning beds could not be activated without the customer's fingerprint. Kristin and I were the only ones who had the power to override the scanner. The POS prevented employees from giving away free tans, as every customer (user) was logged into the system each day.

I had my employees log the cash and credit transactions daily on a custom spreadsheet I created to ensure that their count matched up with the count in the computer. Lotion inventory was counted every Sunday, and I reviewed every void or change in the POS system to ensure an accurate paper trail. I felt confident that the proper systems were in place to handle the rush of business when the students returned.

I gathered my employees together the weekend before the first week of classes for a team meeting to confirm that everyone was on the same page and knew what to do when the business rush began. This allowed them the opportunity to voice any questions or concerns to me, which, in turn, allowed me to build a better rapport with my employees. The meeting also allowed for them to suggest any ideas for the salon going forward that they believed could improve business. This back-and-forth dialogue with my employees allowed for me to build a stronger rapport with the group. I found the meeting to be highly productive for everyone involved, which led to me scheduling one before the beginning of every semester. I think the meetings proved vital to building a strong relationship with my employees and to the salon's continued operation.

The rebranding and marketing were a complete success. After the first week of business, we had nearly doubled the foot traffic from the same week the year prior. The Kombi was a hit, which led customers to ask if we were getting any other new beds. I put my real estate career to the side for the first couple of weeks of full operation to ensure that all the systems in place were working and to address any potential bumps in the road. There were none. All the beds were working properly, and all the employees were adequately trained to handle the POS system and any issues that arose. Multiple customers came in with our coupons, indicating that our marketing efforts had reached its target market successfully. It was an incredibly exciting and rewarding time for me as a business owner. The success continued throughout the first six weeks, as our numbers remained steady and profits remained strong.

John and I had quickly made enough in profit to reinvest in another higher-end bed. I used the same forum as before to find a bed that would help diversify our selection. Our budget was a bit higher this time, given the salon's profitability, and we settled on a bed for \$8,500 located in the suburbs of Chicago called the UWE.

The purchase made perfect sense from a business standpoint. The bed we planned to replace was a standard commercial tanning bed, with a maximum tanning time of twenty minutes per session. The UWE, using better technology, had a maximum tanning time of twelve minutes per session. It also delivered faster, better results which allowed us to charge more per session. We settled on \$15 per session for the UWE. Again, assuming the bed clocked half the minutes as a regular bed in each day, I quickly did the math on how long it would take to recoup our \$8,500 purchase price. I wanted to ensure we were again making a sound financial decision.

	UWE	Base Bed
# of Sessions	15	18
Minutes Per Session	12	20
Total Minutes	180	360
Price Charged	\$15	\$5
Daily Gross Profit	\$225	\$90
Monthly Gross Profit	\$6,750	\$2,700
Daily Profit Margin	\$135	
	Purchase Price	Days to Recoup Cost
	\$8,500	63

Based on my assumptions, it would take a little over two months to recoup the cost for the UWE. This made the purchase a no brainer.

However, the bed itself would prove to be a prolonged mess that lasted for years. John and I took his truck to Chicago to pick the bed up one late September weekend. The owner fired the bed up for us to show that it was in perfect working order before we began to deconstruct it. As we took the bed apart, I was in shock and awe at the amount of wiring involved that had to be disconnected. It was nothing like the Kombi, which was wired like a household appliance. John, being an engineer, assured me that he knew what he was doing as he yanked wires out of their connections and pulled out the bed's electrical components. The bed, even in separate pieces, was monstrous in size and weight. I wasn't so sure putting it back together was going to be easy.

We loaded the bed up, drove it back to the salon and began to assemble it inside one of the tanning rooms. I could quickly tell that John was a bit unsure as to what he was doing in reassembling the bed. Once assembled, the bed would not fire up. Afternoon quickly turned into night, which turned into early morning, as John continued to test the connections. After about sixteen

hours of testing the connection, the bed finally fired up again. However, over the course of ownership, the bed continually malfunctioned, blowing \$100 bulbs constantly and shutting off at random, disrupting customers' tanning experience. We never did get it functioning with 100% reliability, as John had obviously rewired the bed incorrectly while trying to reassemble it. Unfortunately, I was the one that had to deal with the malfunctions and customer complaints as they arose.

Despite the problems, the introduction of this new bed gave us further credibility, and customer feedback was excellent. Things were going exceptionally well, and we had the profits in the business bank account to prove it.

Then, it all came crashing down, or should I say, gushing up.

Chapter 6: Disaster Strikes and Aftermath

It was the second week of October, roughly eight weeks into the fall semester. I was down at the salon switching out some faulty bulbs, when a torrential downpour hit the area. It wasn't the worst downpour I'd ever witnessed, but it hit fast and with great intensity. While placing extra bulbs in the storage room near the back of the building, I faintly heard water rushing nearby, like someone was flushing a toilet. Suddenly, wastewater began to gush out of the utility room right in front of my eyes. I stood there, dazed for a moment at what was taking place, as sewage hit and then flowed past my feet into other areas of the salon. One of my employees let out a shriek as she saw what was happening, which jolted me into action. She started banging on the doors of the occupied tanning rooms telling the customers that the salon was flooding, while I ran to the breaker room and shut off the power to all the tanning beds to avoid the possibility of electrocution. The customers came out of their rooms in horror at the sight of the wastewater, before quickly scrambling to get out of the building. Realizing there was nothing I could do to stem the rush of sewage, I headed to the front of the salon, which was still dry, and simply stared down the long dark hallway toward the back of salon, dazed at what was taking place. I could still hear the gush of the wastewater as it continued to pour in, and the foul liquid slowly crept closer to the reception desk located at the front of the salon. As the rain began to subside, the wastewater flowing into the salon slowed as well and then stopped. The downpour lasted roughly twenty minutes and had left my salon with nearly four inches of foul-smelling sewage that covered approximately 2,000 square feet of the salon. The place had turned into one giant septic tank.

I dialed 911, reported to them what had happened and had the fire department down to the salon within fifteen minutes. John showed up soon afterward with a look of dismay. The firefighters walked through the wastewater and shined their light on a random assortment of human waste, toilet paper, and used tampons. It was an awful sight. It didn't take long for the firefighters to determine that the wastewater had come up through two drains located in the back of the building. One drain was in the laundry room, to drain water if the washer malfunctioned and overflowed, and the other drain was located underneath the HVAC system. Both drains led to the city's sanitary sewage system. I made a call to my landlord to let him know that the building had flooded with sewage. I quickly found out I was going to be on my own in the matter.

My voice trembled as I told him the situation. “The whole bottom floor of the building has sewage in it.”

“That’s not my problem. Unless the roof collapses or the walls cave in, I have no responsibility for what just occurred,” was his response.

“What am I supposed to do?”

“Figure it out. Other than the sewage, is the building okay?”

“I guess.”

“You need to go to the city and find out from them. I can’t help you,” he said as he hung up. *Well, okay then,* I thought as I heard the line go dead on the other end.

After the firefighters had determined the cause of the flood and saw that nobody was an immediate danger, they left John and I alone inside the salon. It was weird. Just an hour ago the brightly lit salon was buzzing with music and customers, and now it was silent and dark, with only the foul smell of sewage to fill our nostrils. “Now what?” I said out loud. John looked at me and shrugged his shoulders, before saying he had to head back to work. Then he was gone.

Alone, I looked down at my cell phone, and called my insurance company to report to them what had just taken place and to get the claim process started. The first thing they told me to do was to get someone down there to start mitigating the damage while documenting all the conversations that have taken place immediately following the flood. I called a few national cleaning companies and was told that nobody could be down there until the next day. Unsatisfied with the response time, I found a company called ACI Restoration via the Yellow Pages (Google had not yet taken over the internet). ACI’s tagline was, “When disaster strikes, call ACI.” This tagline felt like it was calling out to me. I dialed the number listed and a man named Jack Tanner answered the phone. After explaining to him the day’s events, he was down at my salon within two hours of the call to assess the damage. His son, Craig, came down an hour later with giant fans and dehumidifiers to start drying the place out. Jack came over and requested a \$5,000 deposit to fund the initial clean-up, and I wrote him a check immediately. Their prompt help was a small relief, but things would get more interesting from there.

I was standing in the salon watching ACI get to work when a group of men knocked on the front door before coming down the steps and into the salon. The man in front introduced himself to me, “Are you the owner? I’m Larry, an engineer with the Martinsville City Utility Board. We would like to know where the flooding occurred if you could show us?”

“Sure,” I said as I took the men to the back of the salon, dodging human excrement in the

now receding sewage water. I showed them the two drains that had backed up and overflowed.

“Why are you here?”

“Another building had some backup as well, so we are trying to trace the source,” Larry replied. After some talk amongst themselves, they quickly left. Jack and Craig from ACI left soon after and stated that there was nothing else they could do until the dehumidifiers removed all the moisture from the salon. I scribbled out a sign in black magic marker, “**Closed until further notice due to flood**”, and taped it on the door before heading out myself, weary from the day’s events. Before I left, I took one last look at the dark and damp salon and sighed heavily.

Chapter 7: The Hammer Drops

ACI was in full demolition mode a few days later, removing all the flooring from the salon and cutting out the drywall and insulation that had been contaminated by the sewage. Unfortunately, the insulation within the walls was a type of cellulose insulation, a mix of ground up cotton, newspaper and cardboard, which provided an excellent sound barrier but was very susceptible to absorption. Removing the contaminated cellulose was laborious and time consuming. ACI had also placed orders for new lumber, drywall, and flooring. I graciously thanked Craig and his guys before heading to lunch across the street. During my walk to lunch, I noticed that the Martinsville City Utility Board had a lane of H Street, the city's main thoroughfare, blocked off. As I came closer, I recognized Larry, the engineer I had met prior, standing over a manhole.

"What is going on here?" I asked. Larry looked up, surprised to see me.

"Well, the flood you had the other day? It looks like there are some problems with the city's sewer lines. We have some faulty piping under the city and some old city piping that we are just now discovering with our plumbing robot. The system just couldn't handle all that storm water at once. We are getting it fixed now."

"Well, that's interesting."

"Yeah, there were also no non-return valves on the drains in your building, for some reason. We are going to have those installed as well, so you will never have to worry about this happening ever again."

"Um, thanks. Would have been better served about three days ago," I said as I walked away to grab lunch. Before walking into the restaurant, I turned around and snapped a bunch of pictures with my camera phone of the Board's workers while they hovered around the manhole. Something told me I was going to need them.

I called my insurance company later that afternoon from the salon to give them an update on the rebuilding process and the conversation that took place between Larry and me. The woman on the other line then dropped the hammer.

“Mr. Smyth, you need to look at your policy. It states that if faulty municipal piping is to blame for the flooding that your insurance will not cover the damage. Reason being is that the cause of the flooding originated outside of the building. Therefore, we have no choice but to deny the insurance claim.”

“Oh. Great. So now what do I do?”

“You will need to approach whoever was responsible, in this case it looks like the city utility board, about paying for the damages.”

“Are you serious?”

“Yes, your insurance will not cover any of the costs to rebuild the salon given the circumstances of the flood.”

I nearly threw up. “But I already have a company that has begun repairing what was damaged. You told me to start mitigating the damage!”

“I told you to mitigate the damage, not to start reconstructing the salon.”

“But I have customers with monthly memberships! I just can’t sit there and let the salon remain closed. They’ll never come back.”

“I’m sorry Mr. Smyth. I understand your predicament, but you’ll need to talk to the city or utility board about the damages. Thank you.”

The line on the other end clicked, and I threw my phone down in disgust before burying my head in my hands. I sat there inside the dimly lit salon, with the sound of ACI’s workers in the background hammering at the soiled drywall, knowing my only logical move was to approach the Martinsville City Utility Board about compensation for the damages. I had no idea how to address the situation, so I hopped on my computer and typed up a letter to the president of the board, hoping that he would have some empathy for my situation. The letter explained that neither John nor I had the money to pay for the damages, and that without compensation from the Martinsville City Utility Board, our salon would remain closed permanently and we would lose all the money we had invested in the business. Surely this man would understand, right?

Wrong. John and I walked into the offices of the Martinsville City Utility Board the next day with my letter and asked to see the president. He came walking up the hall a few minutes later, a scowl on his face. He was a physically imposing man, well over six feet tall.

“Sir, I’m the owner of the tanning salon that was damaged by faulty city piping during last week’s flood. I have this letter here that I wanted to give you.”

The president immediately threw his hands up disgust. “We are not responsible and I’m not taking that letter from you. Don’t even try to give it to me. I don’t know why you’re down here trying to say that this was our fault,” he barked.

“So, you’re not going to do anything? Your own employee said faulty piping was the reason for the flood. The Martinsville City Utility Board is responsible for that piping is it not?”

“He doesn’t speak for the Board. It was an Act of God.³ Nothing more. Now please, I need to get back to work.”

“Really? That is how you’re going to handle this? We can’t afford to get our salon fixed!” I shouted as he began to walk away.

The president headed back down the hall before I could get in another word. I stood there in the lobby, letter in hand, not knowing how to react. The little old lady behind the desk just stared at me, compassion in her eyes. I watched as the president disappeared into his office before I turned to leave. Once I stepped out into the cool autumn air, I picked up my phone and stared at it for a second.

“Now what?” John asked.

“I don’t know,” I replied, staring up at the sky for a second.

It is a brutal lesson that I truly experienced for the first time when I called my landlord after the flood and during that visit with the president of the Martinsville City Utility Board. I was quickly learning, you can hope that people will do the right thing, but you can’t expect people to do the right thing. Oftentimes, people are looking out strictly for themselves and their wellbeing and couldn’t care less how other people are affected by it.

I am still taken aback today when I think of this encounter and how crass and uncaring my landlord was when I told him the salon had flooded, and how standoffish the president of the Board was when speaking to me, a recent college grad trying to make something of himself. I was a victim of someone else’s mistakes. This flood had crippled our business and we could not afford to repair the damage without the Board taking responsibility and compensating us for the damages. We had based our decisions on the expectation that someone would step up and take responsibility. I had given ACI the green light to move forward based on that expectation. Now, I had no way to fully pay the substantial construction bill I knew was coming. It was a terrible position to be in, and it

³ The phrase “Act of God” is oftentimes used in insurance claims to state that there is no party at fault for damages incurred by a natural hazard.

certainly wouldn't the last time I'd find myself in this position.

After giving it some more thought, I knew I only had one option left. I brought up my phone and started searching for trial attorneys in the area.

Business Mistake: Expecting People to Do the Right Thing (Ethically)

Understand the difference between what is ethically right and what's legal. I'm not saying that there are numerous people out there breaking the law to get ahead, but there are certainly many people out there with no set of ethics or sense of morality. People that look to win by any means necessary.

In business, you'll encounter and work with numerous people, all with different levels of morality. Some will go above and beyond to business the right way, adhering to a strong set of business ethics. Others would take the shirt off your back if you weren't paying attention during business proceedings. This is especially true as the stakes rise. The larger the stakes, the more likely that people are going to look out strictly for themselves.

Don't take someone at their word. Don't expect people to hold the same standard that you'd hold for yourself. People rarely act in a way that you'd expect of them. Hope that they do but prepare for the worst-case scenario. I had failed to do that.

John and I met with our new attorney, Brian James, a couple of days after my encounter with the president of the Martinsville City Utility Board.

"Well, you have a pretty good case. You have the conversation between you and the Board engineer with other witnesses, and you have clear picture evidence of them doing sewer work only a few days after the flooding occurred. If this were to go to trial, it is easy to build a compelling case that the cause of the flood was at least partly due to negligence on the Board's behalf. I can take this on, no problem."

"Full steam ahead, as I wrote him a \$5,000 check for a retainer, which represented the last of the funds in the salon's bank account. This brought the biggest remaining problem back to the forefront. ACI Restoration was well underway with their remodeling work, and they were expecting additional payment for construction supplies. John and I now had no money to pay ACI for the work. We had made the mistake of assuming someone would make us whole for a disaster that was not of our doing and had given ACI the green light to move ahead with the full remodeling project to get reopened as soon as possible. Customers were calling daily wanting to cancel their memberships or otherwise be reimbursed because of the salon being closed, and every day we were closed was another day of lost business and lost customers that may or may not ever come back.

On cue, the day after meeting with our attorney, Craig of ACI called letting John and I know that he needed \$10,000 for construction supplies. Completely out of money, I let Craig know that we would have a check to him in a couple days to stall him and to give us time to figure out a solution. I searched online for small business loans but given the salon's current condition and the combined lack of net worth between John and I, getting a loan to pay for the construction was impossible. There was no way we could guarantee we could pay it back.

"We're screwed," I told John over the phone. "We have no way to pay for the remaining construction costs. The salon is going to have to remain all torn up until this lawsuit is over. If we win, we can repair it. If we lose, we'll have to walk away."

"My parents said they'd split the costs with your parents to get it back open so that we don't lose everything."

I hated having to rely on my parents to bail us out, but I hated the fact that we could potentially lose everything even more. Still, there was the chance we could not recoup the costs via the lawsuit.

"What if we don't win the suit?" I asked.

"They said that we'll cross that bridge if we come to it."

"I'm calling my parents now. We better not lose," I said before hanging up.

Chapter 8: Getting Back Open and Lawsuit Arbitration

Our parents agreed to loan us \$40,000 to keep the construction going through to completion and to keep us from defaulting on our bank loan and lease agreement. Our salon was closed for approximately three weeks, as ACI worked around the clock to remodel the salon. The one positive thing that I took from the disaster was the makeover my salon received from the remodeling effort. I brought in light wood laminate flooring for the lobby hallways and repainted the walls a sky-blue color. The new color scheme embraced the name “South Beach Sun” and brightened the space immensely.

I brought a tanning bed technician in from 250 miles away to inspect all the beds to ensure they were working properly and a germ and disease inspector came in to check for any remaining areas still contaminated by the sewage. Thankfully, there were none. My employees stuck by me during the closure, and they were ready to handle the influx of customers that came in wanting their accounts canceled or adjusted accordingly. The POS was tanning salon-specific, but it couldn't automatically account for a three-week business closure, so every customer's account had to be manually adjusted. We did ensure that every customer's account was credited correctly, and we also added a few extra days of free tanning for the inconvenience. We also offered multiple discounts and specials to retain as many customers as possible. However, foot traffic was way down and remained that way through the rest of the semester. There was little doubt the closure had hurt our bottom line drastically.

We slogged through the winter break, maxing out our credit line so that we were fully stocked and ready for when the students returned to campus. John and I were hopeful that business would pick up again as students looked for a quick escape from the gloomy winter weather.

Our perseverance paid off. The first week the students were back being a giant relief. Our foot traffic was back up to the levels pre-flood, and often even higher. The willingness to credit customers' accounts and the new, upgraded look of the salon had won us back our business. The remainder of the semester was relatively problem free, as we enjoyed booming business through Spring Break

and the end of the semester. With our profits, we could start paying back our parents for the money they had lent, which, by the end of the construction project, had totaled the entire \$40,000 they had lent to us. It was during this time that Kristin left the salon due to her impending graduation, and I hired my sister as the new manager. I wanted to have someone in there I could trust while we got things going again.

The lawsuit dragged on for approximately ten months, well into the summer of 2008 before the fall semester. The Martinsville City Utility Board's unwillingness to pay us for the damages, and our unwillingness to drop the suit led us to arbitration. At this point, the Board owed us approximately \$80,000, with \$60,000 for costs related to the remodeling of the salon and \$20,000 for the loss of business income during closure. We had indicated that if the case were to go to trial, we would be specifying a greater amount for the damages and that the Board take responsibility for all our attorney's fees.

We met with the arbitrator at the offices of our attorney during a weekday afternoon. She was a middle-aged woman with long black hair and soon signified to us that she was totally on top of her game. She told us it was her goal to get both sides to settle on a certain amount of money. Since John and I were at \$80,000 and the Board was at \$0, I was quite curious as to how she was going to get that to happen as I listened to her explain the process. She stated that she was very successful at arbitrating lawsuits, and that most often both sides agree to settle to avoid a lengthy trial.

I quickly learned why as we began the process. I had gone in that day with a bottom line number and my BATNA (Best Alternative to a Negotiated Agreement). I was willing to go to trial for anything less than \$70,000 from the Board. The figured the arbitration process would take all day, given that both sides started so far apart. The arbitrator never seemed fazed as she worked the angle for each side. For the Martinsville City Utility Board, I assumed it was the threat of losing the lawsuit and having its name dragged through the mud by the local paper. It was a scenario the Board wanted to avoid. The Board president did not show up for the actual arbitration, but instead relayed his negotiations through a Board representative via speakerphone.

For John and me, the arbitrator played the angle that we could head to trial and end up getting awarded \$0 in damages by the jury.

"How could that possibly happen? We did nothing wrong here. We are getting ramrodded by a large utility company," I explained.

"Right, and many people would probably see it that way. But, have you ever thought about what kind of jurors you could have on the jury?"

“What do you mean?”

“For example, and I’ve seen this happen, you get an old, bitter person that sees two young, clean cut guys with a *tanning salon* and makes a decision against you on the case out of spite.” She arched her eyebrows as the final words came off her tongue, letting them linger as John and I looked at each other in bewilderment.

“Wait, that actually happens?” John asked.

“It does. And if that were to happen, you two could possibly get nothing at all out of this case if it’s a hung jury, and in the end, you two would owe even more in attorney’s fees for taking the case to trial.”

“I can’t believe that could possibly happen,” I barked as I slammed my hand on the conference table.

“I’m not saying it will happen. I’m saying it could happen. It would be a chance you would be taking by moving ahead with the trial. It is something to think about.”

The arbitrator had planted the seed, and at that point, the thought stuck in both John and I’s minds, like a fly caught in a spider web. As we went back and forth in arbitration, I couldn’t escape the thought of receiving nothing for all the anguish we had endured. After four or five hours of arbitration, the Board was at \$55,000 and we were at \$70,000. It was a moderate success, since the Board had started at \$0, but \$55,000 was not close to making us whole again, and we had hit our bottom line number of \$70,000. We hit an impasse.

“Screw them, let’s head to court,” John said in disgust when the arbitrator told us that the Board wouldn’t budget off \$55,000. During the last round of arbitration, the president told her he was being more than fair even offering that much, which disgusted John and me. In fact, we could hear him in the other room on speakerphone, screaming at his representative and the arbitrator, telling them that it was ridiculous that we wanted so much money.

“I’ll tell them you’re not budging from \$70,000, as long as you’re fully aware as to what could happen if you take the case to a jury,” the arbitrator said before leaving the room.

I looked at John, who shrugged his shoulders in frustration. “At this point, we feel confident that we would win.”

The arbitrator went to the other office to speak to the waiting Board representative. She returned a few minutes later.

“They’ll go to \$60,000.”

“Oh Jesus!” I threw my hands up, incredulous at this entire process. “If they’ll come up to \$60,000, then they can come up to \$70,000.”

“They said that is the absolute highest number they’ll go to,” said the arbitrator. “I may be able to get them to come up a little more, but we are now only \$10,000 apart. Is it worth going through the lengthy trial process for \$10,000? You could have \$60,000 in your company account within a couple of weeks.”

I sighed. She was right, and the thought of possibly losing the case pushed itself to the forefront of my mind. I glanced at John, who looked as dejected as I over the entire process. We were about to go below our bottom line number.

“How about they meet us in the middle at \$65,000,” I told her.

The arbitrator spun around on her heel to deliver the news to the president. We were late in the day, and I could tell that everyone just wanted the process to be over with. The arbitrator returned a few minutes later.

“They’ll split the difference between \$60,000 and \$65,000. They’ve offered \$62,500.”

“Ugh.” The exhaustion of the day and the Board’s tenacity finally got to me. “This guy is such a goon. Unbelievable.”

“Mr. Smyth. I know it’s been a frustrating process, but taking this deal means this whole thing is over and you can move on. No trial. No lengthy process. \$62,500 is still enough money to pay any outstanding bills you have left.”

“I’m tempted to just proceed with the lawsuit at this point. This has been so insulting and incredible.”

“This is business, Mr. Smyth. They’re simply doing what is in their best interest.”

“Yeah, who cares about screwing over a couple of young guys in the process.”

“While you may be right, this is the situation that we are in. What do you want to do?”

I looked at John, who stared back at me with disappointment. “Let’s just take it and get the hell out of here,” he said as he put his elbow on the table and rested his head in his hand.

“Fine, but let the president know he’s a complete jerk,” I said as I signed the legal documents agreeing to the \$62,500 settlement amount.

I walked out into the late August air, taking in the painted orange sky as the sun set behind the trees. I didn’t know exactly how to feel. On one hand, the whole ten-month situation was finally

over, and we could move on from it. On the other hand, we weren't even close to being made whole again, especially after taking in attorney fees. I shook hands with John and got in my car, where I sat for a long time in silence full of frustration that we had lost nearly \$20,000 for an incident that we had no hand in causing.

Receiving the final attorney bill a few weeks later from Brian James did prompt me to call him and thank him one final time for his help. In the end, I felt it was money well spent to fight back against the Board.

"Mr. James, I appreciate all you did for a couple young guys having to go through something like that for the first time."

"You're welcome, Mr. Smyth. I'd tell you to call me anytime you need some help, but I sincerely hope I don't hear from you for a while."

"You and me both," I chuckled on the other end of the line, "take care."

Little did we both know that it would only be two months later before we would cross paths again.

Chapter 9: Times Two

It was a Tuesday during the second week of October in 2008, approximately a year since the salon had flooded with sewage. Sleeping soundly at my girlfriend's apartment, my phone buzzed me awake. I cracked one eye open to see it was friend of mine, Dale, calling me at 7:15 in the morning.

"What the hell could he want?" I murmured as I put the phone back down.

"Who's calling you?" my girlfriend, Kate, propped her head up from the pillow, still half asleep.

"My buddy Dale," I answered. "I have no idea why he'd be calling me this early, though."

The phone beeped, indicating that Dale had left a voicemail.

"I guess I better see what he wanted," I said as I opened my phone to listen to the voicemail.

The message started: *Hey buddy, my dad just received a call from 180 Willey Street about a pipe that has burst. The call came from The Dominion. I don't know if your salon was affected but I thought I'd let you know. You may want to head down there when you get this message and check it out. I know the fire department is headed down now.*

I fell back on my pillow and buried my head in hands.

"What's going on?" Kate asked, sitting up and now fully awake.

"Dale just left me a voicemail. His dad is the city fire chief. He said they received a call just now about a busted pipe at The Dominion. I have to get down there."

"Did he say anything about the salon?"

"No, just that a pipe had burst."

"Well calm down, you don't know if anything is wrong yet. No use getting upset yet."

"Kate, if it's a busted pipe leading to The Dominion, its only logical that the salon would be affected. The only place the water could go is down, down into the salon."

"Well go. Get down there. Keep me updated," Kate said, brushing off my outburst.

I called John on my way down, letting him know what was happening. He told me he was headed to a job but would stop by the salon first to meet me.

I pulled onto Willey Street and my heart sunk as I saw the flashing lights from two firetrucks parked out in front of the building. I parked and walked up to the entrance of the salon, peering in through the glass façade, expecting the worst, and the worst is what I saw.

Water was pouring over the edge of the main floor of The Dominion onto the lobby floor of the salon like a waterfall. I unlocked the latch to the salon and stepped inside to the sound of rushing water. I watched as the water careened over the edge of The Dominion's lobby floor and splashed onto the salon floor below. The lobby of the salon already contained two inches of water. The laminate hardwood was already warped and ruined from its exposure to the water. I gasped and collapsed on the stairwell leading down to the lobby at the sight.

I heard the door to the salon open behind me and I turned to see Tom, the stocky, thirty-something manager of The Dominion, walk in behind me.

"How did this happen?" I choked out the words.

"Ah man, I'm sorry," Tom said. "A water pipe leading to our cola machine must have snapped off in the middle of night. It's a two-inch pipe. When I came in this morning there was water all over the floor of the store. The fire department turned off the water to the building. It should stop draining over the edge of the floor soon."

I stood up and proceeded down the steps. My feet slogged through the water as I dodged the indoor waterfall to peer down the hallway. Water damage had already set in along the hallway walls. The paint was peeling, and the drywall was sagging where water had been cascading down the wall. I peered into one of the tanning rooms and saw the ceiling had already collapsed from the weight of the water onto the tanning bed, a crumpled mass of drywall and insulation.

"Incredible," I whispered as I fought back tears. Tom had followed me in silence as I inspected the damage. "Tom, if you don't mind, I'd like to be alone." He put his hands up, obliging with my request. I watched as he walked up the stairs and out on to the street, returning to The Dominion.

I walked down both hallways to get a complete picture of the damage. Water had affected roughly 50% to 75% of the salon and ruined the flooring, most of the drywall, and most of the cellulose insulation, which had quickly absorbed the gushing water. I placed a call to all my employees letting know what had just happened, each as incredulous as the next as I told them what was happening. After I made the calls, I sat back down on the stairwell to the entrance of my salon and placed my head in my hands, tears in my eyes. My salon was in ruins once again.

Chapter 10: The New Nightmare

The fire department, which had been parked out front, came down to ensure that there was no risk of electrical shock from the water damage before they left the scene. John came down a few minutes later, taking in the damage before he met me back at the salon entrance.

“How the hell does this happen?” he said, furious with anger.

“The manager, Tom, was down here earlier. He said a pipe leading to their cola machine broke off in the middle of night, of course. When he came in this morning he found the water rushing out onto the floor of the store.”

As I explained what had happened, I pointed to The Dominion and looked up to see that the lights inside the store were on. “What the hell?” I said as I stood up and glared into the windows of The Dominion. “Are they opening?” I walked up the steps of the salon and out onto the street and glanced inside to see people milling around inside. I walked to the other end of the building to the entrance of The Dominion and peered inside to see a few employees mopping the tile floors.

I cracked open the front door to The Dominion. “Are you guys opening today?” I asked.

A male employee, looking half stoned, answered, “Yeah man. We are just mopping up this water from the flood we had last night. We just can’t operate our cola machine until they fix the pipe.”

I turned around and walked back down to my salon where John was waiting. “The Dominion is opening right now. This is unbelievable! A pipe to their store breaks, and we are the ones who pay for it. Their store didn’t suffer any water damage. They’re up there mopping up the damn water right now!”

John, growing angrier by the second, shouted out, “This is bull.”

I turned around and walked back up to the street and went into The Dominion. “Where is Tom? I need to talk to him now,” I demanded.

Tom emerged a few minutes later from the back of the store. I didn’t mince words.

“Tom, this is some garbage, man. You guys have a pipe that snaps off in the middle of the night,

yet our place gets ruined and you guys are opening like nothing happened. How fair is this? You saw my salon, I'm not going to be able to open for weeks! It's ruined."

"I hear you Ryan. I do. I already called Jim, he's on his way down now. He'll be here in about an hour."

Jim was the owner of The Dominion, and he lived out of state. I had never met the man, but I eagerly anticipated our first encounter.

Jim arrived just over an hour after my conversation with Tom. He entered my salon, where John and I had been waiting impatiently. Jim looked to be roughly 50 years old, slightly balding and overweight, with pasty white skin. He wore cargo shorts and a slightly soiled white tee shirt, as if he'd just gotten off a job site. He held out his hand as he approached down the salon steps.

"Hey guys, I'm Jim," he said as he pumped hands with John and me. "I'm very sorry about what has happened. Apparently, it was just some random pipe leading to our cola machine. I have already called my insurance agent, and he should be down here in about 30 minutes to assess the damage. I'd like to get the ball rolling on this immediately."

"You and me both," I said, keeping my voice calm. "We just had to deal with the same type of problem with the Martinsville City Utility Board. It's incredible that this is happening again."

"Well, I want to do what I can to help," Jim said.

His insurance agent showed up a half hour later, a middle-aged guy sporting khakis and polo with the company logo on the front.

"Are you the owners?" the agent pointed to John and me.

"Yeah, we own the place, what is the plan of attack here?" John asked.

"I'm going to look at the pipe that broke and then assess the damage to your salon. Jim, you said you're already back open, right?"

"Yes, we just mopped up the water. It didn't really cause any damage to my store."

"Okay, well give me a little bit of time to look things over."

The agent walked upstairs to The Dominion with Jim, and they disappeared into the store. John turned to me, "What do you think?" he asked.

"Well I would assume this will get taken care of by their insurance. It is clearly The Dominion's fault. It's their pipe and their cola machine. We had nothing to do with it. We shouldn't have to fight them like we did the Martinsville City Utility Board. It is just going to be an enormous chore having

to remodel this place again. And, we will also have to freeze everyone's accounts again, and all that goes with that process. Let's just hope their insurance doesn't fight with us for every cent like the Martinsville City Utility Board did."

Jim and his insurance agent returned about an hour later. Jim's agent stepped forward. "After looking at the piping system and the cola machine, I find Jim to not be at fault for this situation."

"Wait, what?" I said incredulously. "The Dominion is at fault, is it not?"

"No, there was no way that Jim or his employees could have predicted that the pipe was going to snap off in the middle of the night. It was a freak accident that wasn't his fault. Since there is no permanent damage to his space, we will consider this matter closed."

"Look at my salon," I said as I pointed at the water damage. "This is a direct result of that pipe breaking. This is not my fault. This is not John's fault. This happened in your client's space. C'mon, Jim, you're really going to do this?"

Jim stared at me. "Look, my agent is right. There is no way anyone could have known this was going to happen."

"That's why you carry insurance. Is it not? This is unbelievable. You're telling me you guys are sticking me with the tab?"

The insurance agent spoke up. "Well, what you can do is file a claim with your insurance for the damage."

"So, they can drive up my premium in retaliation? That's a bunch of trash, man, and you know it."

The insurance agent shrugged his shoulders. "There is nothing I can do," he said as he turned around to leave.

"This is messed up, Jim," I said as he shrugged his shoulders as well and followed his insurance agent out the salon door.

"Wait," John said. "How is this even possible?"

"I have no clue. I need to call our insurance company and see what they say." I pulled out my cell phone and dialed the company's main number. The operator directed me to the woman that handled my policy.

"Yes Mr. Smyth?" her voice came through on the other end. I spent five minutes explaining the situation to her before she spoke again. "Well, that is quite unfortunate. What we'll do is send down

our own insurance adjuster to assess the damage. Since The Dominion's insurance will not cover for your damages, we will cover your claim and then subrogate against The Dominion and its insurance company."

"Subrogate?"

"Yes, we will go after The Dominion and its insurance company to recoup the losses you have and will incur from this event. Basically, we will cover you for any losses and then go after The Dominion and its insurance company to recoup what we paid you. From what you're describing, we should have little trouble."

"Oh, thank God, so you're going to fully reimburse us?"

"Yes, in this case, we will work with you every step of the way to ensure you get back open as soon as possible. Have you started mitigating the damages?"

"Well, I wasn't going to touch it this time until I knew where I was going to get the money to pay for the work. We had to have our parents cover the construction expenses with the last issue. I don't want to get stuck in that situation again."

"Okay, you have the green light from us to begin damage mitigation. We will get the ball rolling on our end and get your first reimbursement check out to you as soon as possible so you can begin the construction process. I'm very sorry that you're having another issue."

"What can I say? Stuff happens, I guess. Thank you." I hung up and looked at John. "They're going to cover us for the damages, and then go after The Dominion and its insurance company to recoup the money. So, I guess, we're good."

I called my attorney, Mr. James, to get his thoughts on the situation.

"What they're saying is accurate. I don't know why The Dominion is refusing to take responsibility because it is clearly their fault, but your insurance company should not have any trouble paying you out and going after them to recover. If you have any issue going forward, don't hesitate to call."

"Thanks for your time," I said and hung up, shrugging my shoulders at the quasi-good news from Mr. James. "At least we are going to get reimbursed?" I said to John.

I called Craig at ACI Restoration, who chuckled in playful fun at my expense. "Buddy, it seems like if you didn't have bad luck, you'd have no luck at all. I'll be down to check out the damage this afternoon."

After assessing the damage, Craig required a \$10,000 check to start the mitigation process. I wrote him a check for the amount, which represented most of what I had set aside in the business checking account for other purposes. Writing that check presented me with a whole new financial problem.

Chapter 11: A New Venture

Back in January of 2008, after the tanning salon had gotten rolling again for the spring semester, and nine months before the second salon flood, a friend of mine named Will approached me about a new business opportunity. He owned a small pizzeria down the street from my salon, and another small pizzeria on the other side of the university campus. He was looking to potentially branch out his restaurant concept to a new college campus. Having had his pizza many times and having witnessed the success he was having with his pizzerias, I was fully onboard with expanding the concept. He specialized in New York/New Jersey-style thin crust pizza, and baked hoagies and calzones for a low price to appeal to the student market. He specifically concentrated on the late-night crowd, those looking for a cheap bite to eat before heading home from the bar. It took him two years to fine tune his recipe, which resulted in delicious thin crust pizza. I was looking to build myself another stream of income, and this seemed like it could be a good fit.

We felt taking it to the next closest state university, which was twenty minutes away, made the most sense. But we ended up with more grandiose plans as we drove around the streets near that campus. Two blocks from the campus was nearly an acre of land that was currently for sale. While I was still a newbie in the real estate field, I knew that this land held potential, given its proximity to campus and the university's current announcement that it was looking to expand enrollment to 10,000 plus students. Will and I decided to put together a business plan to build a three-story, "L" shaped garden-style apartment building with another free-standing two-story retail building that the pizzeria and a small bar would occupy. We included a feasibility analysis and figured the project would cost around \$2M dollars to get off the ground.

Obviously, we didn't have that kind of capital, so we approached a friend of ours. His step-father was a very successful and wealthy businessman in the area. Our friend set up a meeting between his step-father, his partner, Will and me. We presented our analysis to our friend's step-father, who seemed intrigued by the plan. He then drove out to the site with his partner before calling our friend with a decision.

"It's just not something we feel is worth the price they're asking for the land," my friend's step-father told us over the phone. "We are going to pass."

Dejected, Will and I decided to scrap our concept and the market altogether. If this successful businessman and his partner didn't think it was going the project was going to fly in this market, then we were targeting the wrong market. We moved on.

An aside: Will and I's instincts, for the most part, turned out to be correct. Six months after we abandoned our apartment idea, a local developer came along and bought the property. He constructed an "L" shaped garden-style apartment building much in the same way we had laid out our plan. The only thing missing was our retail component from the developer's plan. That apartment building is still there today and is fully occupied. I drive by the location every couple of years, stare at the apartment building and wonder what could have been had we had the capital to proceed with our original plan.

It didn't take long for us to target our next intended market, a large state university located in the city of Columbia, roughly three hours away from Martinsville.

"It makes the most sense to target this market," Will said as we discussed the potential venture over slices of pizza. "We just have to find a space right near campus that will appeal to the lunchtime crowd. It'll do a ton of business for lunch and late night."

"I think so, too," I said as I thought about the possibilities. I was confident this investment would throw off cash—if we found the right location. I had it in my mind that I would take my share of the profits from the salon and roll them into funding the build-out of this new pizzeria. I also had roughly \$30,000 in money saved up to help fund the new restaurant. Funding the build-out would give me 50% equity in the restaurant. Will and his brother, Jared, would get 25% each. Will was to provide all the recipes, and Jared was going to help run the restaurant when I was not in town. The whole thing seemed like a solid bet assuming we could get a space close to campus without paying too much in rent.

Will, Jared, and I made the three-hour drive up to the city of Columbia the following week to scout sites. The main thoroughfare that separated the edge of campus from the retail businesses was where we concentrated our focus. This thoroughfare was the home to multiple bars, restaurants, and late-night dives. After walking up and down the street, we came across an existing pizzeria with a "For Sale" sign in the front window. The pizzeria was centrally located and surrounded by multiple bars and retail businesses. It boasted the perfect location.

"What's the deal with this space?" I said as I pointed at the sign. "Let's check it out." We walked in and looked around. The space was set up perfectly for our concept. I asked the kid behind the counter for the owner, who was not on site.

“He doesn’t come down here too often, he’s up at his other pizzerias most of the time, which are about an hour away. Here is his number.”

I immediately dialed up the number and got the owner of the pizzeria on the phone.

“Hello, this is Frank.”

“Yes, Frank, my name is Mr. Smyth. I’m here inside your pizzeria and I see that it is for sale.”

“Ah, yes. Look, I have three pizzerias upstate and decided to open another near the school campus. I figured that with so many students nearby, it would run itself. It started out that way but letting the student employees run the shop ended up being a total disaster. I just don’t have the time to dedicate to that one, so I must cut bait somewhere. Any of the equipment in there is for sale, and all that I ask is that you assume my lease and pay a \$10,000 security deposit to the landlord.”

Frank had made the age-old business mistake mentioned prior in this book: trying to run a small business as an absentee owner. He was now simply trying to get out of the terrible position in which he had put himself.

For us, it almost sounded too good to be true. “So, that is all we must do, and we can take over the space? What is the rent amount each month?”

“Yes, I’ve already been in contact with the landlord. I pay \$2,400 a month in rent for about 1,200 square feet.”

“That is within our budget. Let’s set up a day for early next week to meet and get the documents executed then. Can your landlord meet with us?”

“Sure, I can make next week work. I’ll get in touch with the landlord to let him know.”

“Great,” I said as I told Frank goodbye and excitedly turned to Will and Jared.

“Dude, this guy is desperate. Apparently, he is bleeding cash and hasn’t devoted any time to managing the place. It’s gone to hell. He just wants us to assume the lease and pay a new \$10,000 security deposit to the landlord.”

“Let’s jump on it,” Will said.

We arranged to meet with Frank the following Monday. As we were driving up to the campus that day, we attempted to get Frank on the phone to confirm that everything was still a go. He answered my call with a sound of frustration in his voice.

“Hey Ryan, the landlord has changed his tune on you guys assuming the lease. He now wants more information about your operation and how much net worth you have and how much you have

in liquid capital.”

“Oh,” I said, knowing that neither my financials nor Will’s were extremely strong. “That is going to be a bit of a problem, we are just a couple of young guys. We don’t have substantial net worth or deep pockets.”

“That might be a problem, then,” Frank replied. “Since I’ve been struggling to make the rent payments, the landlord wants to be assured that the new tenant will be able to make the rent payments on time.”

“Well, he can run a credit check on us if that helps. We just don’t have a ton of liquid capital. We aren’t rich guys.”

“Give me your e-mail address and I’ll have him send you an e-mail requesting the information he is seeking, but if you’re headed up here today, just turn around. The landlord isn’t coming until he has more information.”

My hopes were dashed. Moments ago, I had thought I was getting a coup on a prime retail space right across the street from campus. Now, I knew I was going to have to jump through hoops that I probably wouldn’t be able to jump through.

The landlord e-mailed me a day later requesting my financials and the profit and loss statement of Will’s current pizzeria. I submitted the requested documents to the landlord and got a response a few days later.

Mr. Smyth, unfortunately your net worth and income are not enough to where I feel comfortable letting you assume the lease at this space. We are looking for a stable, long-term tenant that we know will be able to meet the rent obligations if the business fails. Ideally, we would like to see a recognized brand lease this space. Take care.

I called Will after getting the e-mail. “That dream is dead,” I said. “They’re being picky about who rents a 1,200-square-foot space. I guess they want a brand name.”

“That sucks,” Will said. “We should keep looking, though.”

“But that was *the* space,” I replied. “I don’t think we will find another space that checks all the boxes.”

We later learned that the landlord never rented the space we initially wanted. Instead, after months of vacancy, he made it into a leasing center for his apartment portfolio. At this point I recalled a piece of advice a highly successful businessman once told me during a private conversa-

tion. *When one door closes, another opens. The next opportunity is around the corner.* I highly respected this man's advice, and upon it decided to continue looking, hoping to find another ideal space to launch our new pizzeria.

Chapter 12: Plans Unfold

We decided to employ the help of a local broker to find another ideal space. He was a younger guy, no older than I was at the time. After a few weeks of looking, we found a space at the end of commercial building that sat right off the main thoroughfare and directly across the street from the university's main campus. The building was a two-story and contained eight businesses, including a record store, tattoo parlor, hair salon, and organic market. The record store occupied the prime endcap space on the corner, while the vacant space we were looking at was at the far other end of the building and approximately fifty feet off the thoroughfare. The space's proximity from the thoroughfare was of an immediate concern of mine. However, the owner of the building, Joe, who also owned the record store, really sold us on the vacant space during our first meeting with him.

"I'm about to close up the record store. Nobody is buying CDs anymore and I think it's that time," he said. Joe looked to be in his late 70s, with dark skin and shaggy white hair like Doc Brown in *Back to the Future*. "I'm already in negotiations with a night club owner on a new lease agreement to take all of the space."

"How much space is available at the record store?" I asked as I stared inside the store.

"About 7,000 square feet over two floors, which would be a little too big for your concept, I'm afraid. But you know, if this nightclub proceeds with the lease, that would be great for your pizzeria, assuming you were to take the other vacant space. Kids will be coming out of there late at night, looking for a place to grab something to eat. You could do some cross promotions, things like that."

"You have a good point," Will chimed in.

"Does this nightclub plan to sell food? Meaning, will they be open as a restaurant during the day, and then turn into a nightclub at night?" I asked.

"No," Joe replied. "They plan to operate strictly as a night club."

"That bodes well for us. What is the square footage of the smaller space?" Jared asked as we walked down the front porch to the other end of the building.

"2,400 square feet. 1,200 on the first floor and 1,200 on the second. But, I will only charge you

rent for the first floor, since the second floor isn't really set up as retail space.”

This was attractive to me and Jared. We had already agreed to take turns running the restaurant to get it off the ground, which required that one of us be at the pizzeria constantly. Instead of renting a nearby apartment, this space allowed for us to sleep upstairs and be close by during all hours of operation.

Joe opened the front door and we all walked inside. The entire space was painted white, with the original floorboards exposed and also painted white. We all walked upstairs to a similar scene. It was a blank canvas for us to do with it what we wanted. “This might work,” I said. And there are no other businesses in the building that sell food? I mean, outside of the organic market, which really doesn't count.”

“No, you would be the only restaurant,” Joe replied.

“I'd like to have a non-compete clause added to our lease to prevent other restaurants from coming in, if that's the case,” I said. A non-compete clause in the lease agreement was crucial, as it would prevent other restaurants from moving into the building and competing with us for customers in the future.

“I'd rather not have that clause in the lease. If McDonalds were to come knocking, I wouldn't want to have to say no because of a clause like that in your lease. If you sign and the nightclub owners sign, I won't have any vacant space anyway. I promise you, I will not let anyone come in and open a restaurant that would directly compete with you. I promise.”

“So, no pizzerias or places that serve calzones? No late-night eateries like that?”

“Yes, I promise you I won't bring any business in here that would directly hurt your business.”

I looked at my broker, who nodded his head in acceptance. I looked at Will and Jared who did the same. Since I was providing the equity for the build-out, the final decision rested with me.

“Okay, give us a couple of days to decide for sure that this is what we want to do,” I said to Joe, as I shook his hand before parting ways.

Business Mistake: Not Getting It in Writing

I took Joe's word for it. I figured that Joe would be honorable, keep his word and do the right thing by a couple of younger guys. And anyway, why would he bring in another business that would directly compete with a business that was already renting from him? That is just bad property management.

But, I did not get the non-compete clause in writing, and at the end of the day, Joe was free to do what he felt was in his best interest. Never proceed with any deal unless every item that's been negotiated has been put into writing. You want to ensure that you are protected in every way possible in the event of a legal dispute with the other party in the transaction. Oftentimes in commercial real estate, leases provided by the landlord include provisions that are heavily in favor of the landlord in the case of a dispute. It is best to have a qualified contract lawyer overlook the lease agreement for any legalese that could be detrimental to you as a potential tenant. We did not have that done before signing the lease agreement, and we would later pay the price. Get everything in writing and have it reviewed by an attorney.

This mistake ties back to the mistake of expecting people to do the right thing. I had expected Joe to do right by his own tenants. I figured it was in his best interest to keep us as happy as possible. I would be proven wrong.

Will, Jared, and I spent the next couple of days trying out the pizza at local establishments that we would be competing with and studying the foot traffic around campus. No direct competitor offered New York/New Jersey style thin crust pizza in the immediate area, and a lot of the pizza we tasted was mediocre at best. We thought we could make an impact with our product, feeling it was superior to what was currently offered in the marketplace. During our tour of the area, we also discovered that the space we planned to lease was two blocks from the newest entertainment complex, which featured an array of bars and restaurants frequented by college students and locals alike. Lastly, the building was adjacent to multiple student housing buildings and single-family homes occupied by college students. Being located near this entertainment complex and student housing would help boost our visibility and give us the foot traffic we needed to get the business off the ground. After we finished our due diligence, I sat down and put my thoughts together to help visualize my feelings on the space and our potential for success.

Pros:

- Ideal location close to campus
- Weak competition
- Space includes a place to live/sleep when not working
- Reasonable rental price
- Night club going in next door would create synergy along with entertainment complex
- Reasonable build-out estimation

Cons:

- Three-hour drive from home
- Space off the main thoroughfare makes us less visible
- Must sign five-year lease and personally guarantee lease

The number of pros outweighed the cons, but the cons were quite a concern. In hindsight, they should have killed the deal. Not being “all-in” on the space had the little voice in my head saying, “*This might not be the best spot.*” But, I felt committed, and I kept going back to the advice the successful businessman had told me: *When one door closes, another opens.* I thought this space was that second door, and I told myself I couldn’t get anywhere in business if I didn’t take risks. I thought it was time to take another risk, and I thought my work ethic would be able to make it work. At this point, I was betting on myself more than anything else.

Business Mistake: Not Trusting Your Instincts

The little voice inside my head was whispering to me immediately after we lost the ideal space along the main campus thoroughfare. I was 100% confident in that space and its ability to work. It was already set up and operating as a pizzeria, people knew where it was, and it was highly visible. After we lost it, that should have told me things weren’t meant to be. Yet, I forged ahead and signed a lease on a space that I wasn’t fully sold on, thinking that I could make it work regardless. It’s sometimes tough making the right business decision when you want something so bad that you’re willing to do whatever it takes to achieve it. You’re willing to go against your better judgment. In the end, that is what I did, feeling that I would make it work no matter what. This is not the way to go about taking risks and entering new business ventures. Never blindly ignore the voice inside your head. Trust your instincts. If it’s telling you that things aren’t passing the smell test, you need to seriously reevaluate the scenario before proceeding. I ignored my instincts, and it cost me.

Chapter 13: Pizzeria Build-Out

We signed the lease in September of 2008 with the first three months of rent abated, meaning we would not owe our first lease payment until December. This was very ideal, as it gave us a three-month window for build-out and a projected opening when the students came back from winter break. The timing couldn't have worked out better in this case, which eased some of my concern about the space. I had my construction budget ready to go and I quickly got to work, ordering flooring, countertops, and equipment, and scheduling days for Jared and me to work on the space. We decided to do most of the work ourselves, leaving the big-ticket items to licensed contractors. Given that the space was delivered to us as a warm vanilla box,⁴ there was no demolishing that needed to be done before we could start construction. This allowed me to carve out an estimation of build-out costs:

Build-Out Budget			
Flooring	\$10,000	Glass Food Shield	\$500
Tile Countertop/Bar	\$4,000	Plumbing	\$4,000
Painting and Trim	\$2,500	Upstairs Shower	\$2,500
Grease Trap	\$1,000	Ventilation Hood	\$5,000
Ovens	\$5,000	Prep Tables	\$5,000
Utensils	\$2,000	Sinks	\$2,000
Tables, Chairs and Misc.	\$1,500	City Fees	\$1,000
Total Budget: \$46,000			

\$46,000 represented all the cash I had. I had about \$45,000 in liquid capital with my monthly income from the tanning salon and random commission checks I'd receive as a real estate broker as additional capital. I figured I'd float my profits from the tanning salon and real estate business into the pizzeria as we went along, to ensure that we had enough capital to get things going for the first couple of months while business ramped up. It turns out that wasn't such a great idea.

Business Mistake: Not Having Enough Capital

Being under-capitalized can be a death blow to a business before it even gets off the ground. There are good reasons successful franchisors require potential franchisees to

⁴ A warm-vanilla box is a term used in commercial real estate to describe a commercial retail or office space that is complete with drywall and trim with all mechanical/electrical/plumbing in place.

have a certain amount of net worth and liquid capital. Starting a new business is often difficult and costly. The franchisors want to ensure a new franchisee has the wherewithal to invest in the business and be able to fund operations through at least the first six months of operation.

The first six months of operation represent the most critical months in the life of a new business venture as new systems are being implemented and a new presence is being established in the marketplace. There is often a revolving door of employees as the business owner weeds out poorly performing employees. Poor employees can also sink a new business financially, if said employees ruin a customer's first experience so badly that they never return. Not only does a company lose a customer, but that customer is more than likely telling everyone they know about their poor experience at the new business, which cuts down on potential future profit.

With the number of things that can go wrong, franchisors want to ensure the franchisee can withstand any financial hiccups without going broke prior to the six-month mark. This rule of thumb applies to any other business as well. Many businesses fail because they don't have enough capital on hand. Whether it's a new software startup, drycleaner or restaurant. My pizza business almost never got off the ground for this exact reason.

Jared and I would travel to the new space every couple of days and stay at a hotel as we worked on the build-out of the restaurant. I purchased discounted laminate flooring for the dining area and industrial grade clay tile for the kitchen area. Jared and Will's dad, who was a master electrician, traveled with us for a few days and installed the electric and gas lines for the ovens and prep tables, as well as the plumbing needed to install the upstairs shower for us to use in our living quarters. Construction was slow but steady, and without any snags until we began putting our paperwork together for the city. Jared and Will put together the floor plan as required by the City Health Department using the knowledge they gained from previously going through the approval process with city officials in our hometown. Based on Jared and Will's prior experience, we knew we needed a three-bowl sink for cleaning utensils, multiple hand washing stations for employees who would be handling the food, a grease trap to catch oil and grease from entering the sanitary sewer, and proper ventilation above the ovens to exhaust to the outside the excess gas and fumes from the ovens. I budgeted for these items prior to construction based on Will's costs for installation of these same items at the pizzerias in our hometown.

However, this was not our hometown. This was a different city entirely, and with a different city came a separate set of laws and health codes. In our hometown, the Health Department allowed for

a grease trap to be installed within the restaurant. The minimum capacity of the grease trap was 50 gallons. In our new city, the minimum acceptable capacity was 250 gallons, and the grease trap had to be installed outside and underground! In our hometown, all that was required for oven ventilation was a 16-inch commercial fan and a small ventilation duct to the outside via the side wall. In our new city, oven ventilation required a full ventilation hood that vented out the side wall. In addition to the ventilation hood, venting for the ovens required a large ventilation duct that ran from the side wall opening to the roof of the building with a ventilation fan at the top of the duct! This required about fifteen extra feet of duct work. I was dismayed at the differences in city codes.

Business Mistake: Know Your Permitting Process and City Codes

Every city and market will have its own permitting process and municipal codes. The requirements in one city may differ entirely from those in another city. When doing due diligence on a new business venture that requires the construction or remodeling of commercial space, employ a professional that can obtain the correct permits and give you a solid estimate on the cost of permitting and construction prior to beginning the process.

In my instance, my lack of knowledge of the city codes cost me several thousands of dollars in extra build-out costs, as I began the construction process before knowing fully what the process entailed.

It is best practice to understand the whole permitting process and be intimately familiar with all the codes in the city in which you plan to do business before you begin to move forward with your concept. It can save you thousands of dollars in unexpected costs.

These unforeseen additional costs hit me like a freight train. I had already invested nearly \$20,000 in flooring and plumbing, and my budget had just ballooned by \$13,000. I had also paid \$6,000 in materials and labor for the extra-large grease trap, and \$7,000 in materials and labor for the ventilation hood and ductwork to the roof. That was over 28% of my original construction budget! I had horribly underestimated the construction cost because of my lack of thorough due diligence. I had assumed the city health codes were uniform from city to city, and I was very wrong. Now, I was going to pay the price. Looking back, I really should have known better, or at least done more research to ensure I knew exactly what I was getting into. Had I known those large expenses going into estimating, I would have backed out of the project entirely. I did not have that kind of money to spend. Now, I was stuck, about to rob Peter to pay Paul.

Business Mistake: Know Your Numbers

Double check your numbers. Triple check them. Quadruple check them. Know your

numbers inside and out. Then budget a contingency, because things will happen that require more capital.

I like to now run a best, typical, and worst analysis when putting together financial pro formas.⁵ This allows me to accurately stress test⁶ the investment under multiple scenarios to determine if the investment is worth the capital outlay. These scenarios should reflect the expected monthly business income at full operation and stabilization. The best-case scenario should reflect above-average market conditions indicating higher than expected income, while the worst-case scenario should account for a market depression and lower than expected income. Even under the worst-case scenario, the investment should be a viable one that is worth the financial commitment.

With brick and mortar businesses, local municipality laws will often have a significant impact on a project budget. Some municipalities charge large fees just to submit paperwork and to proceed through the entitlement process. With online businesses, web presence is everything. The cost for a professional looking, custom website can be several thousand dollars, and you will need a social marketing platform to back it, which can also be costly, depending on what services you decide to use.

It is best to know all your possible costs up front before deciding to commit capital to the project, because once your investment spent, you're not getting it back for a while (if ever). Once you know these costs, know what you're going to need to earn to cover the payback of these costs. The income generated by the business should be more than enough to pay back the initial capital outlay within a few years of operation—depending on the type of business.

My first option was to begin drawing money out of South Beach Sun's business account to help cover the unexpected expenses incurred during the construction of the pizzeria. John and I had not been taking a draw at the salon, so there was a substantial amount of money in the account owed to me that I could use to help pay for the grease trap and ventilation hood. Then, I woke up that day in early October and found out I had a waterfall flowing from the ceiling of the salon and knew that the money was going to have to sit in the salon's bank account while I waded through yet another flooding disaster. My construction of the pizzeria came to a halt.

⁵ A pro forma is a financial document that uses certain assumptions to project future financial returns. This document can be manipulated to create different outcomes based on different sets of circumstances.

⁶ An analysis of an investment's ability to withstand an economic crisis or "worst-case" scenario.

Chapter 14: Clogged Up

I wrote Craig the check for \$10,000 to begin the repairs to the salon following the second flood, which left me with less than enough capital to get the ventilation hood and grease trap installed for the pizzeria. I had no choice but to let the pizzeria sit, half-finished, while I sorted things out with The Dominion. I created *another* set of problems by doing so, as I knew at this point my rent abatement period would end before construction of the pizzeria could be completed. I was going to have to pay rent on the pizzeria while it sat unfinished. I had to financially prepare for this scenario.

Craig got to work immediately on reconstruction at the salon and was an immense help dealing with the claims adjustor for my insurance company. He expedited the disbursement of funds using his prior experience in dealing with insurance companies. John and I received our first disbursement check approximately three weeks from the day of the flood. After receiving the check, I had enough funds available to pay for half of the bill to get the ventilation hood installed, which was a slight relief to the financial burden I had placed on myself. However, I didn't have enough to finish the plumbing and I couldn't wait any longer, so I turned to my bank in desperation. I applied for a \$15,000 line of credit, which was a sufficient amount capital to get the pizzeria fully completed and received approval a week later from the bank. The last of my cash on hand went to my new landlord, Joe, for the first month of rent, as my rent abatement period had expired by this point. I immediately pulled from the line of credit to get the plumbing finished, the grease trap installed, and to pay the remaining balance for the work on the ventilation hood. It wasn't long until the credit line maxed out at the \$15,000 limit. I was pushing myself to my financial limit.

I was up at the pizzeria as construction of the plumbing was ongoing, overlooking progress to ensure that everything was being done per our plan. After walking around the exterior of the building, the plumbing company felt the best location for the underground grease trap was directly behind the building near the city sewer line. I watched as they brought their excavator in to dig the pit for the grease trap, still amazed at the city requirements for the tank installation when compared to that of my hometown of Martinsville. After the hole had been dug, the excavator then hoisted the tank up and lowered it slowly into the pit, to be connected to a new sewer line constructed by the plumbing company. The installation finished without a hitch, and I spent the next couple of days

taking care of city paperwork in preparation to submit final documents for approval and obtain our Certificate of Occupancy.⁷

Jared and I made our first food run, and at that point, I remember having \$15.00 in my personal bank account along with the maxed-out line of credit for \$15,000. At this point, I also had no money in the salon business account, as it had all gone to the salon repairs while we awaited our final reimbursement checks from the insurance company. Our final approval fee from the City Health Department to begin business was \$400, which Jared went ahead and paid, as I had no money left to my name. I was completely invested in the pizzeria at this point. It was a precarious position in which I found myself. I could not afford for anything to go wrong. Then, it did.

We opened the pizzeria in mid-March of 2009. It was two months later than we projected, due to the increased expense and installation of the ventilation hood and grease trap, and the additional delays caused by the flood of the tanning salon. Since I had run out of money, we didn't have any money left to budget for advertising (something I should have done up front), so Jared and I went and photocopied cheap flyers and walked around neighborhoods placing them on car windows and doorsteps. This worked out well, as we had a line down the street for the grand opening.

Reactions were enthusiastic. I watched as glowing online reviews came in, many hailing it as the best new pizzeria in the city. Initial weekend business was great, with crowds and long lines every Thursday, Friday, and Saturday night. However, those first couple of weeks were hell physically for me and Jared. From hiring the staff to prepping the kitchen to ensuring all the systems were in place, we traded off long work days and travel to and from Martinsville. I worked twenty hours per day during the opening week, waking up at 10:00 in the morning to open the store at 11:00. I'd retreat to the second floor for an hour break in the evening to recharge myself for the late-night crowd. Then, I'd return to work through the late night until 4:00 in the morning, getting to sleep by 5:00.

Jared and I had used some of the flooring we had left over to create a makeshift bedroom on the second floor. We brought two old mattresses and placed them upstairs. The shower Jared's dad had installed for us was tiny and the hot water usually lasted about two minutes, as the employees typically used it all to clean the restaurant equipment. The floor was always covered in dirt and flour from the restaurant and the number of windows in the building meant that daylight flooded in as soon as the sun cracked over the horizon. After twenty-hour days of running the pizzeria, it was a dirty, dumpy, and uncomfortable living quarters to which we retired.

⁷ Documentation issued by a local government agency stating that a building is safe to occupy. This document is necessary before one can open a new business for operation or a newly developed property for leasing.

I was so exhausted by the time I traded places with Jared that I slept for nearly an entire day when I got back home to Martinsville. It was a brutal work schedule for the first month or so, but it felt like a major accomplishment to open the restaurant and see customers coming through the door. While weekday afternoon business was slow, foot traffic on the weekends was enough to pay the bills and pad the bank account. We were finally on our way. Then, another issue smacked me in the face.

One morning, a couple of weeks after we opened, I caught a whiff of raw sewage. It was faint initially but grew in intensity through the early afternoon. I walked upstairs and ran the water in the shower and toilet, nothing. I went to the restaurant bathroom and all the fixtures worked. Then, I went around back to the building's basement door and opened it up to the foulest of odors. Covering my nose, I walked down the steps into the basement and found the source of the odor: raw sewage was seeping out of cracks in the foundation wall and spilling onto the basement floor.

"Sewage? What the hell," I mumbled to myself holding my shirt over my nose. "Not this again!"

I immediately called Joe and the plumbing company that did the work on the pizzeria. As I waited for everyone to show up, I headed to Lowes and bought a shovel, a makeshift hazmat suit and waste bags. I scooped up as much of the sewage as I could, threw it in a trash bag and disposed of it in the dumpster. I took a gallon of bleach and applied it everywhere to disinfect the remaining surfaces. Jared showed up that afternoon and helped finish the job, equally amazed and furious at what had transpired.

The plumbing company and Joe showed up an hour after Jared to assess the situation.

Joe was the first to speak after we entered the basement. "I know exactly what happened here. When you guys installed the grease trap, you crushed the existing septic pipe." He then turned and eyed down the foundation wall before pointing to a PVC pipe that appeared to head into the concrete floor of the basement. "And this pipe, this pipe doesn't even drain anywhere. It was an initial septic drain pipe but was filled with concrete long ago. It's not even functional. No wonder you have all these problems." Joe turned to Jared and me. "Why did you have this work done without consulting me?"

"How were we supposed to know they would tie in to a pipe that's not even functional?" I pleaded. "How was I supposed to know they'd crush the septic pipe?"

The guy from the plumbing company chimed in. "We were never told that this pipe was not functional, nor that there were existing septic lines coming from the back of the building. We are

not liable for the damage that has resulted.”

Joe turned to me. “You’re going to have to pay to have these problems resolved. You cannot operate a restaurant with raw sewage seeping in the basement. I should tell you to shut down right now.”

“We can get out here and get the lines repaired immediately,” the guy from the plumbing company said.

“We can’t afford to pay for the work, Joe. I’ve already had enough things go wrong trying to get this place open. We would have to close.”

“Okay then,” Joe said. “I’ll pay for the repairs, and you’ll have to reimburse me monthly in addition to your rent until the bill is paid off. I’m also going to charge a small amount of interest. These are my terms. You can take it or leave it.”

“I guess we have no choice,” Jared said.

“I guess not,” I added. “Okay Joe, we’ll do it.”

“Okay.” Joe turned to the man from the plumbing company. “You can get out here tomorrow and get this fixed?”

“We’ll be out tomorrow.”

It was early in the week and we weren’t busy, and with the sewage smell permeating through the pizzeria, I closed early. The plumbing company was out the next morning, digging up the grease trap. I watched as they pulled it out of the ground to reveal precisely what Joe had said. When they initially set the grease trap, all five-hundred pounds of it crushed shut the old terra cotta septic pipe underneath. I shook my head as I watched them chop out the crushed pipe and replace it with new PVC piping. The plumbers disconnected the drain pipe connected to the false pipe in the basement floor and reconnected it to the actual main line. I watched as they did this work, in disbelief and increasing anger at the thought that they would even route the piping that way in the first place without ensuring the drain pipe was *an actual drain pipe*. I must have hired the most incompetent plumbing company in the entire city of Columbia.

Business Mistake: Not Vetting Contractors; You Get What You Pay For

We went with this plumbing company because they provided us the cheapest estimate for the work. Since I was already way over budget, I did not want to spend any more on the hood and grease trap installation than necessary. While the hood installation went off without a hitch, I couldn’t say the same for the plumbing.

After the septic problem occurred, I did some research on the plumbing company to find that they were basically some fly-by-night group of guys without much knowledge of what they were doing. I got what I was paid for. While it's great to be financially frugal and conscious when it comes to spending capital, the professionalism of contractors in the world of business are often reflected in the price they charge for their services. The top-flight contractors usually command top dollar for their services, because they're wanted and have no short supply of work. The opposite can be said for those at the bottom of their profession.

It is always an excellent idea to do a background check on the people and companies with whom you will be doing business. Today's technology (Angie's List, Yelp, etc.) makes it easier than ever to get an accurate view of someone's past performance. I had not checked the plumbing company's background, and, as result, ended up with a subpar job that cost me thousands of additional dollars.

We got the basement fully cleaned up and the pizzeria up and running again a couple of days later. Fortunately, the hiccup did not cost us any real business profit. Joe sent over the invoice a week later. My mouth dropped open as I read the invoice: \$9,000. *That was more than the cost for the original installation, and that installation included the purchase of the grease trap.* I called Joe up once I received the invoice.

"Joe, I got your invoice, this is more than what we paid for the original installation of the grease trap."

"Ryan, that really doesn't matter. This is what they've charged me, and I already went ahead and wrote a check. If you look at the invoice, I've already done the math on what your extra payment will be every month until you pay off the debt. I've amortized the cost over the remaining life of the lease at 2.5% interest."

I looked down at the bottom of the invoice to see he had scribbled the equation down. The total came to an extra \$250 a month in rent.

"Ugh," I audibly said over the phone.

"If you don't pay the extra payment, I'll find you in default of the lease. I'm doing you a favor by bailing you out. I shouldn't have even had to pay this in the first place."

"Okay," I said and hung up the phone. "Incredible," I whispered. I wondered if I needed to stop finding these things so incredible.

Despite the plumbing issues, the pizzeria continued to do solid business, relying on the late

weekend nights to really churn out the profit. I quickly excelled at tossing dough, topping pizzas, and turning out cooked pizzas and calzones in under fifteen minutes. I had purchased two of the best stone gas ovens I could find from a company that specialized in refurbished restaurant equipment, and the ovens made perfectly cooked pizzas. While the traveling to and from Martinsville ran me roughshod, I thoroughly enjoyed working behind the counter and interacting with the customers. It was more interactive than the salon was, as many of my customers on the weekends were quite inebriated, which created for some interesting conversations.

During the boom in business, I could gather enough money to approach an attorney about my situation with the plumbing company. I felt that the responsibility should fall on their shoulders, and I wanted my money back. Jared found an attorney in the city to take on the case for a \$2,000 retainer after telling us that we had a solid case. I paid the attorney the retainer to take it on. Looking back, why did I pay \$2,000 precious dollars to chase \$9,000? Candidly, I'm not sure. I was clearly chasing a bad bet.

The attorney got back to Jared a whole two weeks later to tell him that he would be willing to go to court to recoup \$4,000 of the total plumbing cost. The \$4,000 represented the materials and labor involved to reroute the sewage pipe and additional plumbing from the faulty pipe to the real one. He told Jared that since we did not let them know there was existing piping before they dug the hole for the grease trap that we were ultimately responsible for the piping repair and reinstallation of the grease trap.

“\$2,000 retainer to recoup \$4,000?” I asked Jared. “What is even the point? Why did I even bother to pay this guy in the first place?”

“He told me we could win,” Jared said.

“This guy sounds like he doesn't know what he is doing. I think we just blew \$2,000 that we really couldn't afford to lose, and now I feel like an idiot.”

I did feel like an idiot. I just had some random lawyer take another \$2,000, and it was entirely my fault. I let Jared find the attorney and trusted his decision making, when I should have vetted this attorney myself before writing a check since it was my money. Sometimes I wonder where my head was at during this whole ordeal. I chalked the \$2,000 up as a sunk cost and decided to move on from the whole thing.

Still, the pizzeria was profitable, and things looked promising. We were keeping food costs under 30% and payroll low enough to clear about \$1,500 a week, which I mostly put toward my maxed-out line of credit. It was here I made another mistake. I was committing too much money to

buying down the debt, and I was not leaving enough money in the account to sustain the pizzeria through the slow months of summer.

And then the end of June hit. And business dropped off a cliff.

Business Mistake: Having Too Narrow or Too Broad a Target Market

Will, Jared, and I had erred in our marketing of the pizzeria. We had concentrated so much on the student market, that we were getting nearly all our business from the students. When the students left town for the summer, our entire market left with them. We had not spent any time trying to attract residents that lived in the city year-round; therefore, we had very little business to fall back on during the summer.

Diversifying your target market is much like diversifying your investment portfolio. If you have a portfolio heavily weighted in stocks, it'll always be at the mercy of the volatility of the stock market. If you own a business or product that appeals to too narrow of a market or you fail to market appropriately to a wide enough audience, you're setting yourself up for failure. Because if that market shifts or changes, it will directly affect your business. In our case, pizza is nearly universally loved by all, and we spent all our time marketing to the students. When the students left, we struggled. It wasn't smart. We had left ourselves too exposed to one segment of the market.

Yet, some businesses or products will fail from marketing to a too broad an audience, too. With many businesses and products, if you don't correctly identify your target markets, you're again setting yourself up for failure. You don't see companies in the baby product industry airing commercials during television shows aimed at kids and adolescents. That is obviously not the intended target market for baby products. Know who you want to market and who you don't want to market. In our situation, we took a way too myopic an approach to marketing, and it cost us.

Chapter 15: My Rental Property

Being in the real estate business as a broker, I had set a goal for myself to acquire one small rental property every year during my first couple of years in the business, before increasing my acquisition frequency as I built up my net worth. I bought my first rental in the spring of 2008. The Great Recession was just beginning to hit the economy, but I benefitted from the still-lax lending requirements at the time, buying an old three-bedroom home just outside the city limits for \$85,000 with no down payment and an interest rate of 6%. The home sat on a third of an acre with a private back deck, and I felt it would make for an attractive rental home. The home had no central air, so the first thing I did when I closed on the home was install a new HVAC system to make the home more appealing to renters. I cleaned the exteriors and interiors of the home and spruced up the landscaping before placing an advertisement in the local college paper. My mortgage payment was approximately \$627 a month, and I knew if I could get at least \$300 per bedroom that I would turn a small profit every month. I advertised the home for \$1,125 a month (with free, unlimited tanning as a perk!), or \$375 a bedroom, and it only took me a couple of weeks to secure three college aged renters with a year lease. I was ecstatic. I only had an investment of \$6,000 towards the HVAC, and now I was going to be netting nearly \$350 a month after expenses. That was nearly \$4,200 a year. I would pay off the installation of the HVAC within 18 months. I was thinking very highly of myself.

Purchase Price	\$85,000
Rent Income	\$1,125
- Mortgage	\$627
- Expenses	\$150
= Cash Flow	\$348
= Yearly Cash Flow	\$4,176

The rental income during this time was critical, as I used the money when I found myself in a quick financial pinch at the salon. But the good times didn't last that long. Three-quarters of the way through the year lease, one of my tenants disappeared, dropping my gross rent down to \$775, essentially wiping out any cash flow. At the end of the lease the other two tenants did not renew. I again advertised the home in the paper, but this time the home was less desirable. It was the spring of 2009, and the nation was in the throes of The Great Recession. Students had a tighter budget when it came to housing. After a couple months of advertising, I rented the home out to two college

aged women who said they had a third roommate moving to the area within the next couple of weeks.

However, the third roommate never showed up, and I let them sign individual leases. Another dumb mistake. I ended up stuck with an empty bedroom I could not rent and only \$650 a month in rental income. After maintenance expenses, I was now losing money on the rental property. By the end of the second year of ownership, I had barely broken even. Luckily, the tenants I had during these first couple of years took relatively good care of the home, as I only had to deal with the normal wear and tear.

The third year of ownership brought a tenant that had been Housing and Urban Development (HUD) approved. HUD had approved them for a \$784 monthly payment toward the \$850 I planned to charge the tenant. The bank adjusted my private mortgage insurance (PMI)⁸ and my monthly payment went down to \$612 for a monthly income of \$88. Not near the level during my first year of ownership, but at least the property now had a positive cash flow again. The biggest positive was that HUD was going to direct deposit most of the rental payment on behalf of the tenant every month. I no longer had to worry if my tenants were going to make rent, as most of the rental income was now guaranteed from a government institution.

Purchase Price	\$85,000
Rent Income	\$850
- Mortgage	\$612
- Expenses	\$150
= Cash Flow	\$88
= Yearly Cash Flow	\$1,056

Or so I thought. At the time I was setting up the direct deposit with HUD, I was financially strapped from my other businesses. The administrator responsible for setting up my account with HUD had gotten my bank information incorrect on my application. I hounded them constantly, but it took HUD over two months to get the information corrected and the funds deposited into my account. It was the summer of 2010, and I was scrapping by at the salon and the pizzeria until the fall semester started. I had no available funds to make my mortgage payments and my loan went into default. I wrote a check to my bank the day the funds from HUD had cleared my business account and brought my loan out of default, but by that point the debt infraction had already hit my personal credit report, as the loan itself was in my name. In return, my credit score dropped nearly 100 points. My borrowing power had been killed by HUD's mistake and lack of urgency in getting it

⁸ Private mortgage insurance is used by lenders as protection if the borrower stops making payments and defaults on the loan. PMI is typically involved when lenders are deal in higher risk loans. Since I had a 0% down payment, I was fully leveraged and considered a higher risk borrower.

corrected for me.

I did have the tenant through HUD for the next four and a half years. During her tenancy, a tree fell on the home, the kitchen water pipes leaked twice requiring me to replace the entire kitchen floor with new floorboards and laminate after the second leak, and I constantly had to re-gravel the driveway because storm water kept eroding it away (the home sat on a steep hill). It ended up being a lot of work for what amounted to about \$40 of net profit per month. My real estate investment career was not going the way I had envisioned.

Then, I got a call on an April 1st of 2015 from my tenant. At this point, I had now owned the old home for seven years and was looking to sell it and at least get my money back out of the investment. However, I wouldn't get the chance. My tenant, in a state of panic, called to tell me she came home to the house on fire. I could tell by the sound of her voice that this was no April Fool's joke. My heart sunk.

"Are you okay? Is everyone out of the house?"

"Yes, but the entire upstairs and attic is on fire," she cried through tears.

"Alright, I'll be over in a moment."

It was midday, and I wasn't far away, so I glanced up to the skyline in the direction of my property. Sure enough, I saw a faint plume of smoke on the horizon. I arrived at the property to find the fire department hard at work battling the flames, which looked contained to the attic by this point. I saw my tenant, head in her hands, in the front yard with her boyfriend.

"I'm sorry," I said as I gave her a hug.

"I can't believe it. I came home, and it was on fire. I have no clue how it could have happened."

"At least your kids weren't home. It could have been much worse."

"But I had pictures of the kids and personal items in there. They're gone. Everything I own is gone."

At this point I didn't know what else to say. Nothing was going to make her feel better. I walked over to the fire inspector, who was walking around the house as the firefighters battled the remaining flames.

"So, do you know what happened yet?" I asked.

"Well, we can't be entirely sure at this point, but we believe the fire started on the back deck."

"Outside?"

“Well, we talked to the boyfriend and he told us they had had a fire in that fire pit the night before,” he said pointing to the makeshift fire pit my tenants had made below the deck. “Our guess is that they didn’t put it out completely and the wind blew some embers onto the decking. Do they know it’s illegal to have a fire that close to the house?”

“They should. They have a no burn provision in their lease.”

Business Mistake: Not Protecting Yourself as a Landlord

In this case, I had made the right moves to protect myself from liability. When I purchased the property, I had a local real estate attorney draw up my lease agreement. It cost me \$300 at the time, but the lease covered every possible scenario in which I could have potentially be held liable for damages or personal injury.

In my lease was a provision that stated that the tenants of the property could not burn anything on the premises or have any bonfires. Doing so would be in violation of the lease. I also had multiple other items that were in the lease to help shield me from a potential lawsuit or to otherwise protect my property, mainly in relation to any damages to the property or any personal injury due to gross negligence by the tenant (basically, the tenant bringing harm upon themselves, the property, or others). For example, my lease goes as far as to prohibit the tenant from using decals in the bathtub or shower. Extreme? Maybe, but I wanted my property back in near the same condition as when I first rented it.

When it comes to land lording, always ensure that the language in the lease is heavily skewed in your favor. Now, a potential tenant skilled in contract agreements may push back on the heavily favorable language in the lease, but many just skim the paperwork, at best, before signing on the dotted line. This may come across as cynical, but in today’s highly litigious society, one can never be too careful and do too much to protect themselves from a liability lawsuit that could lead to financial ruin.

In addition to an ironclad lease, create an LLC to hold the property. This adds another layer of protection from liability.⁹ As mentioned before, never engage in any business proceedings without a business entity in place for liability purposes. Consult your local real estate attorney for further guidance on how to create an LLC for real estate holdings.

Lastly, I made sure the property met building code and that any property deficiencies were corrected immediately. Deferring maintenance is popular tactic amongst slumlords,

⁹Never hold income producing real estate in your personal name. This leaves you exposed to significant liability if an incident occurs on property grounds. Create an LLC (Limited Liability Company) to hold the property.

but it wasn't how I wanted to operate my property. I didn't want to take any chances with a property that wouldn't be maintained to building code. Staying in compliance allowed me to avoid the potentially damaging situation I'd find myself in about a month later.

Once I had a sense that everyone was okay, I left my card with the fire inspector and told him to contact me when he had more information. While I felt good knowing that no one was injured, and I wasn't going to be held liable for the damages, I wasn't sure how my insurance company would respond. I gave them a call and spoke with a woman named Karen, who oversaw my insurance policy. Since I had already dealt with multiple disasters and insurance claims during my short business career, I had gotten an over-the-top ironclad insurance policy for the property.

This move paid off. I was fully insured, and the insurance company agreed to pay out the full amount, minus my deductible. While I had purchased my property for \$85,000, I insured it for nearly 1.5 times that amount. I wanted to ensure that in the event of a catastrophe that I would be fully made whole.

My insurance company sent out an adjuster to inspect the property, and he stated that the cause of the fire was ultimately undeterminable. However, he agreed with the fire inspector that it most likely originated on the deck. The fire inspector also officially ruled that the source of the fire was undeterminable.

With that, my claim was processed, and I was reimbursed for 1.5 times the value of the property. I later had a demolition company come out and bulldoze the house down and then I sold off the land a few months after that.

While I felt a tremendous wave of relief when I saw my insurance reimbursement check in the mail, I felt terrible for my tenant who had been left homeless from the fire. Via GoFundMe, I started a fundraiser for her and her family and raised two thousand dollars for my tenant to put toward new clothes and furniture. I also got her in contact with a friend of mine who had a couple of vacant trailers in a trailer park he owned, and he rented one out to her. I did what I could to help her ease the transition, and I thought that would be the end of it.

But, I was wrong. A few weeks after everything died down, while having Sunday dinner with my brother and his kids, my phone rang. The number was from out of state and not in my contact list. I usually ignore calls from unrecognized numbers on the weekends, but for some reason instinctively decided to pick up the phone.

“Hello?”

“Is this Mr. Smyth?”

“Yes, who is this?”

“I am just giving you a call to ask if you were aware of all the faulty wiring in your home before it caught fire? I’ve been in there, I know that there were so many things wrong with the house before the fire,” the voice grumbled over the phone.

“Yeah, that’s not true. Again, who is this?” I demanded.

“I am the lawyer for your former tenant. I’m giving you a call to let you know we are pursuing criminal charges for negligence. We have a good reason to believe that your negligence led to the fire.”

I was nearly nonplussed as I chuckled into the phone. “Oh, really? And you call me on a Sunday to tell me this? Sure. I don’t think you have any idea what you’re talking about.”

“Your defensiveness is a sign of guilt. If you didn’t do anything, then why are you getting mad? Now I’m starting to think you set the fire yourself. People, kids, could have been killed. I guess that doesn’t matter to you.”

Prior to that comment, I was indeed annoyed. Here I was with my family trying to enjoy some family time, and this joker had me on the phone accusing me of negligence. Now, after accusing me of starting the fire myself, I was angry. He had baited me well.

“Oh, so you’re accusing me of burning my own house down? And you say you’re a lawyer? Which law firm do you work for? Cause this is the most unprofessional thing I’ve ever encountered in my life.”

“I work for a law firm in D.C. We can’t wait to take this case on as we know it’ll be so easy to win. You better be prepared.”

“Sure. If you really were an attorney, you’d tell me your name and who you work for, but you can’t because you’re just some goon trying to extort money out of me or to somehow admit I had something to do with the cause of the fire. I don’t have time for this dumb stuff. That property was always in compliance with HUD.”

I hung up the phone and immediately called my former tenant, who answered.

“Why are you trying to have someone extort money out of me? I got this jerk calling me saying that I caused the fire or otherwise had something to do with it so that I could cash out a big insurance check. This is all just wrong. Not to mention you’re having this guy do this after I just went out of my way to raise money for you and find you a new place to live. This is how you repay me?”

“I’m sorry Ryan, I didn’t think he was going to call you,” my tenant replied.

“Why did you give him my number? Why are you letting this even happen? I mean what the hell?”

“I’ll tell him right now to stop.”

At this point, my phone had pinged with ten more text messages from this jerk further threatening a lawsuit and again accusing me of burning the house down myself or hiring someone to burn it down.

“He’s still blowing up my phone via text. Who is this guy? I’m going to take a wild guess and say he’s not really a lawyer.”

“No, he’s just a family friend. I’ll get him to stop.”

“You better, and I think it is just incredible that is even happening after everything I tried to do for you. Again, I had nothing to do with that fire and you know that. That home was always in compliance. You’ve been there when the inspectors for HUD have gone through the home!”

“I know, Ryan, I know.”

I hung up and shortly thereafter the texts stopped. I never heard from the guy again. I haven’t talked to my former tenant since, although she did try to friend me on Facebook, after pulling a stunt that pretty much amounted to extortion. People can be weird.

And with end of that conversation was the end of that bizarre experience, and my days as a landlord, for the moment, were over.

Chapter 16: Another Venture? Another Venture!

It was the end of October of 2008, and my insurance company worked swiftly to make John and I whole again after The Dominion had refused to pay for the flood damages to the salon due to the faulty piping. Craig of ACI was a savior, willing to delay payment for his work until the insurance company cut us our reimbursement checks. The insurance company must have felt confident about their chances of winning a subrogation against The Dominion's insurance, because their claims adjuster did not take issue with the cost of any of the remodeling work. At completion, I once again had a brand-new salon.

The second rebuild of the salon again hurt foot traffic until the weeks leading up to the students leaving for Spring Break, which was frustrating. However, the month of March in 2009 was the busiest the tanning salon had ever been. We often had more than 400 customers a day, tanning in all twenty-one beds, with people waiting in the lobby. To me, moments like that were what made being in business worth the struggle: the small wins amongst the sea of problems and conflicts. I used the money from my share of profits from the salon to put food on my table and to pay my rent. I was having a rough time making ends meet financially.

The summer months made it rougher. Business at both the pizzeria and salon died down. While I had not budgeted correctly at the businesses, I was making enough from my real estate brokerage job that I was confident I'd make it through the summer months financially, and I was just able to scrape by. Having multiple streams of income really came in handy, especially during this time. It was late July, and at this point I had the salon, the pizzeria in Columbia, the rental property, and my job as a residential real estate broker. However, none were really pulling in a substantial income despite my attention given to it all. So, when Will called me to tell me his second pizzeria in our hometown was for sale at a discounted price, it represented yet another business opportunity for me to sink my teeth into.

This pizzeria had a sticky backstory. Just a year earlier, I had set up a business arrangement between Will and a friend of mine named Steve. Will was looking to sell the pizzeria during this time to help get his small pizza franchise off the ground. This would also allow him to devote a little more time to our Columbia restaurant. Steve approached me about possible business ventures in

the past, so I connected the two. Steve and I were good friends. I had just been a groomsman in his wedding, and he often came over to hang out. I wanted to return the favor by bringing this business opportunity to him. To remove any potential conflict of interest, I excused myself after making the introduction, as I wanted nothing to do with the business negotiations between the two. The last thing I needed was to find myself in a compromising situation between two friends of mine.

I came to hear later from Will that Steve had agreed to purchase the pizzeria for \$150,000. I knew the business well enough to believe that this was quite a steep price for the income that the pizzeria was producing. Nevertheless, I had stayed out of negotiations, and Steve took over the pizzeria after putting down \$50,000 on the purchase price. Will told me the remaining purchase price would be paid out of monthly profits until the balance was satisfied. Honestly, it sounded to me like a terrible business arrangement for Steve. I was worried he bit off more than he could chew, but I did not want to get involved.

Business Mistake: Paying Too Much

Whether it's a business venture, or real estate or other investment, paying too much is the fastest way to failure. This may sound like a simple concept, but time and time again I've watched as companies, large and small, commit too much capital to a bad investment vehicle. In Steve's case, \$150,000 was entirely too much money to pay for a 1,500-square-foot pizzeria. He tacked approximately \$2,500 a month in mortgage payments onto his overhead.

The restaurant came with two electric stone ovens, a small fryer and a couple prep tables. Steve's problem was that there was only so much business he could generate. The ovens could only cook four to five pizzas at any given time and the fryer could only handle one batch of fries or chicken tenders at a time. Covering such a substantial overhead required that the pizzeria be busy every day of the year. The market, which relied heavily on the student body population, could not sustain that type of business. Hell, as I knew, most of the student body was out of town for four months of the year on vacation. He encountered the same problem I did at my pizzeria in Columbia.

Overpaying can also kill the profitability of what could be a good real estate deal. If you're looking to get into real estate investing and you overpay for the property, the rent amounts the market will bear won't cover all your debt and expenses. If you try to overcharge for rent to create an income that covers your debt and expenses, you'll find your property to be noncompetitive in the marketplace.

When analyzing a business investment, establish a financial hurdle for yourself.

What type of cash on cash return do you expect? Return on equity? As I stated before, know the numbers pertaining to the investment forward and backward before pulling the trigger on the investment. When I was constructing my pizzeria, I did not know my numbers or have an accurate budget, and it nearly cost me immediately. The same thing would cost Steve.

Steve quickly lost enthusiasm for running his own business when he realized he couldn't turn the profit he wanted. While it seemed like he was committed at the onset, as fall turned into winter, I would see him down at the pizzeria less and less (it was across the street from my salon). I knew things couldn't be going that well if he wasn't there. From experience, I knew it is too easy for employees to cheat the owner out of profit in business by either pocketing money or simply giving away free food to friends.

As winter turned to spring, I didn't see Steve at the pizzeria at all. I stopped in one evening when they were busy to see that the pizza did not look quite right. The cheese was a bright white color with a thin consistency. They had no pepperoni in stock, either.

"Where is Steve," I asked one of the frazzled employees.

"Oh, he isn't here. Man, he hardly ever comes in. I mean, I don't see him. He comes in to pick up the money and leaves."

"Oh, okay," I said as I walked out. I didn't want anything to do with the pizza they were serving.

I called Will to see if he knew what was going on at the pizzeria.

"Oh, I'm aware. He has started going and getting his cheese from Sam's Club to try and save money. He's behind on payments. It's a mess," Will said, exasperated.

In June, Steve walked away completely. Will called me one morning to tell me that Steve had told him he was done. He had no money and no way to keep the business operating. Because Steve had not yet paid the full balance of \$150,000 stated in the purchase agreement, the pizzeria reverted to Will. Steve took a big monetary loss. From the outside, it looked mostly of his own doing. During the first few months of ownership, Steve was there every day. But as time passed, his work ethic dwindled until it was nonexistent. The demise of the pizzeria coincided with his lack of time commitment. After he walked away, he disappeared, apparently moving out of state.

"Do you know anyone who would be interested in the pizzeria? There is still some goodwill left and all the equipment would come with the sale," Will inquired shortly after Steve had walked away.

“I could ask around,” I replied. Will was right, there was some goodwill left. When I visited the pizzeria a few months prior to inquire about Steve’s whereabouts, the restaurant had a solid line of customers that snaked out the door. The pizzeria’s prime location and in-place lease agreement were both worth an unspecified dollar amount.

I reached out to a few friends and colleagues that could possibly be interested. Will was now seeking \$50,000 for the pizzeria in its current condition. At this price, I thought it represented a decent investment for someone.

But, I had a tough time finding any takers. Many of my friends and acquaintances had full-time jobs and understandably did not have the time to commit to the restaurant business. That was until I talked to my friend, Ben, who was immediately interested. He had been the friend who had initially warned me about the Amway and Quixtar pyramid scheme.

“I’d like to do it, but I know I can’t afford to pay the whole \$50,000. I’d do it if you partner up with me,” Ben said to me over the phone.

“Well, to be honest, I hadn’t really thought about that. I have a lot going on the way it is. You’d have to help me run the show when I’m not in town. Hopefully we can get it to a point where it runs itself a little bit and we don’t have to dedicate as much time to it. But for the first year or so we will have to be very involved, you know?”

“I think I can do that,” Ben replied. “But how are we going to come up with the money?”

“Let me see what I can do.”

I called Will to see if he would set up a payment plan that mirrored Steve’s old payment plan.

“I’d take \$40,000,” Will said.

In my eagerness to turn the business around, I thought the deal checked out. Doing a quick crunch of the numbers, it would leave us with a mortgage payment of around \$500 month on a five-year loan. *We can swing that number*, I thought to myself. The prospect of purchasing the pizzeria without having to put any cash down was too enticing to pass up. I was fully on board with throwing another hook in the water and purchasing another pizzeria. Looking back, I must have been out of my mind.

To ensure we wouldn’t run into any legal trouble, Will consulted a family friend that was practicing law in the area. We set up a meeting at my real estate office to discuss the venture and whether there were any possible legal ramifications.

“Based on the contract with Steve, you retained full ownership of the pizzeria when he defaulted

on the terms of the agreement. Since Steve abandoned the business, all the equipment reverts to you as well,” Will’s lawyer friend explained to him. He then turned to me. “There are no legal issues as long as you had nothing to do with this prior arrangement. I assume you didn’t.”

“I got them in touch with one another. That’s it,” I replied.

“If that’s the case, then I don’t foresee any potential problems. I’d go ahead with the sale.”

Ben and I gathered our financial information and I went to the bank to see what our chances were of getting a loan to purchase the pizzeria. The feedback from the commercial loan officer, Darlene, was not favorable.

“Our bank won’t take the restaurant equipment as collateral, and your financial strength isn’t enough to justify a loan for \$40,000. There isn’t much we can do,” Darlene said with a frown. “If you can put together some collateral, like a home or a piece of land, then I’d be able to process the loan.”

“Okay, I’ll have to find another way,” I said as Ben and I shook her hand before leaving.

“What do you think?” Ben said as we exited the bank. “Doesn’t seem like we have very many options at this point. I know I don’t have any collateral to put toward the deal and I figure you don’t, either.”

“I might have an idea,” I said, rubbing my chin. “It isn’t the most ideal option, but I don’t think we can pass up trying to make this work. I don’t want to let this opportunity slip away from us.”

Chapter 17: Getting Parents Involved

I called my mom to tell her about the pizzeria. “Will has offered to sell Ben and I the pizzeria downtown for \$40,000. We need the \$40,000 up front, and we cannot get a loan from the bank.”

I initiated the conversation knowing that my parents had a large tract of land just outside town that was valued at around \$1.5M. I figured that they could put up a small piece of the land as collateral for the deal.

“What does that mean to me?” my mom rebuked.

“Well, I wanted to see if you and dad would be willing to put up a piece of your land as collateral?”

“I don’t know. I’ll have to talk to your dad first. Why is Will selling it? What happened to Steve?”

“Steve ran it into the ground, I guess, so Will regained control. He is willing to sell it to us at a discounted price. I know there is still potential there and goodwill in the business. I think I can bring it back and make it successful again. Plus, I have Ben to help,” I added.

“I don’t know if we want to get involved with something like that,” my mom replied.

“Well, just think about it,” I said.

After talking it over, my parents met with Darlene, who assuaged any fears they had about the deal. The bank would use only a small portion of the land as collateral. The land had been in the family for years, so my parents really weren’t risking anything of any direct monetary value in their own eyes. It ended up being a relatively small risk for them, and they were willing to stick their neck out for Ben and me.

As soon as the ink dried, Will and I signed a purchase agreement and he handed the keys to me. It was early August and the students were coming back into town for the fall semester in two weeks. The pizzeria had been closed for two months, and nobody had set foot inside since the day Steve walked away for good. I turned the lock on the front door and opened it up to a wretched stench and

the sight of hundreds of small cockroaches crawling over every surface of the 1,200-square-foot space.

“Damn,” I muttered to myself as I took in the project before me. Piles of pizza boxes lay strewn everywhere. Food and crumbs littered the kitchen floor. There was a thin layer of flour over every square inch of the restaurant. The foul smell emanated from the freezer and cooler in the back corner of the restaurant. The power to the space had been turned off long ago, and the food left behind in the cooler was rotten and covered in mold and maggots. Cockroaches scattered with every step I took toward the back-kitchen area.

However, the freezer held the most disgusting surprise. Steve had left the freezer full of sliced meats and chicken tenders and the putrid smell that hit my nostrils as I opened the door was gag inducing. The sight was even worse. Thousands of small beetles had made the inside of the freezer their new home. They covered nearly every square inch of the inside of the freezer.

“Well, this is not good,” I whispered, clutching my nose. I called Ben up a few minutes after fully assessing the damage.

“You need to get down here. Steve left this place an absolute disaster. We got quite the project ahead of us to get ready for the first weekend of students.”

Ben arrived that evening to check things out. As he looked around, his face contorted more and more with disgust.

“I can’t mess with all these cockroaches. This is so gross.”

“Check the freezer,” I said.

His mouth dropped open as he opened the freezer door and then quickly shut it. “That is disgusting. What in the hell are those things?”

“Some nasty bugs, that’s all I know,” I replied. “We have to get them out of there.”

“I mean, at this point we might as well buy a new freezer. How the hell are we going to clean that thing out?”

“I’m not buying a new freezer. We don’t have \$1,000 to spend on equipment. All the money we have will need to go toward purchasing food to operate.”

“Well I’m not touching that thing,” Ben said.

“Fine,” I sighed.

The beetles were in every nook and cranny of the freezer. I scratched at one with my finger to

discover that the trivial things were anchored to the surface. I had to get creative with the cleaning process. I walked across the street up to my salon and grabbed a filtration mask and air compressor from the utility room. While in the utility room of my salon, I caught the faint smell of marijuana coming from the top of the stairwell. The employees at The Dominion must have just been smoking in the back stairwell.

I shook my head as I grabbed the mask and wheeled out the air compressor. I had been using these two items to clean out the tanning beds every couple of months to rid the circuitry of dead skin and dust. I had to wear a filtration mask to ensure I didn't inhale the skin and dust as I dusted off the circuitry. It was a dirty job, but it was nothing compared to the job I was about to undertake.

I gathered a pair of gloves and eye glasses and put on a long sleeve shirt before diluting some bleach in a bucket. I took a sponge and ran it across the top of the freezer, letting the liquid seep down the inside walls and kill the bugs. I then cranked up the air compressor and began blasting away at the bugs with a concentrated shot of pressurized air. They were stubborn as all hell. Liquid and dead bugs flew all over me as I slowly flushed them out of every corner and crevice. It was a slow, agonizing process that left me covered in bleach and dead bugs.

Ben, too wimpy to help clean, simply stood there and watched. Ben's mom had come down to help with the cleaning process, and she ended up being a much bigger help than Ben ever could have been. While I slowly flushed out the freezer, she gathered all the trash up to throw out and wiped down the walls and surfaces with concentrated bleach.

Ben, still, stood and watched us.

After about four hours, I had successfully flushed out every single bug. I found them in the air compressor coils, under the rubber threshold on the freezer door and inside the cracks in the shelving racks.

We had the exterminator come out the next day to spray the whole place for cockroaches and other bugs.

"I see this a lot downtown," the exterminator said as he watched the cockroaches scatter as he sprayed his poison. "These cockroaches travel in packs from one restaurant to the next looking for a solid food source. Right now, they're all camped out in here. If you clean up the place and remove the food source, and you couple that with this spray, they should be gone within the week."

"Thank goodness," I replied.

Every evening for a week and a half, Ben, his mom and I met at the pizzeria to clean and prepare it for business. Mostly, it was just Ben's mom and I as Ben complained of being grossed out by

the bugs. Yet, I saw the progress. The cockroach infestation decreased by the day, and eventually were gone within a week of removing all the food and crumbs from the restaurant floor. Ben's mom and I wiped and mopped every surface, and I remember the feeling of accomplishment as I stood in the front door of the pizzeria admiring its "like new" appearance. Ben didn't try to take any credit.

"You guys did an excellent job," he said. "Glad I was able to help with it," he said sarcastically.

"Yeah, thanks a lot, buddy," I rolled my eyes.

I should have taken his lack of involvement as a prediction of things to come, but I was too excited about getting the place back open and restoring it to its former glory. And anyway, I had my parent's money on the line. Failure was not an option.

I took my air compressor and mask back to the salon to clean out a few more beds to get the salon ready for the return of the student body to campus. The days leading up to the return of the students were an exciting time. I had the pizzeria in Columbia that was getting ready to experience its first full year of business, I had the salon that was all put back together and ready to rock, and I had the new pizzeria in my hometown that was clean and ready to go as well. But, the cracks in my little empire were about to show.

Chapter 18: Disaster 2.5 and Part 3.0

Late August of 2009 came, and I was inundated trying to get ready for the fall. Ben and I hired our staff at the pizzeria, got them trained, and we were fully stocked for the return of the students. Most days I'd walk back and forth between the salon and the pizzeria, making sure everything was on track to be ready to go when the students returned.

One particularly hot August afternoon, as I was walking up to the salon, the transformer box on the telephone pole outside of the building sounded particularly grumpy. I stood for a second and looked up at it, but before I could continue into the salon, my new manager, Jamie, came running out wide eyed.

Business Mistake: Not Recognizing Excellent Employees

While you should be quick to fire employees that aren't performing or fitting in with the company culture, you should also be quick to acknowledge employees that are performing excellently.

Jamie quickly became a vital part of the salon operations, and I rewarded her appropriately with a bump in pay and bonuses if the staff hit certain sales goals. This not only let her know I recognized her importance to the business via a pay raise but incentivized her further to push the rest of the staff to achieve their sales bonuses. It was a win/win for everyone involved.

Employees should be recognized for their hard work in specific ways. Jamie was always early to shifts and stayed late to ensure that things were running smoothly before she clocked out. I mentioned these exact actions when praising her work to let her know I noticed the extra effort she was putting forth.

Many times, employees will quit or move on to another organization because they feel their hard work is unappreciated or unnoticed. It is important to recognize those who add value to your organization, because if you don't, they'll eventually move on to an organization that will.

“The salon is on fire!” she screamed as she ran up to me.

“What?” I stuttered.

“The air conditioners are on fire! Hurry!” she said as she turned around and jolted back inside the salon.

I followed her in to the smell and sight of smoke. “Where is it?”

“In room 4!”

I ran to the room to see that Jamie had already extinguished the fire with a fire extinguisher. I wasn't surprised. Jamie had delivered time and time again in high pressure situations.

“Oh, you got it,” I exclaimed. “It looks like it originated from the thermostat?” Each tanning room had its own dedicated air conditioner with a wired thermostat to help keep the rooms cool throughout the day. They all had been installed by the previous owner. The thermostat was melted, and black soot covered the wall and ceiling, partially melting the drywall.

“Yeah, the thermostat was on fire!” Jamie said. “I'm glad no one was in that room. There were a few other customers tanning but I got them out and told them that we had a fire. They were okay about it. It was weird. Right before they caught fire the lights were flickering like the power was giving out.”

“Fantastic job Jamie. I better check the other rooms,” I said as I started walking down the hall. Sure enough, approximately ten of the twenty thermostats were smoking and crackling, looking like they were all about to catch fire as well.

“Shit,” I muttered as I headed back to the breaker box. I flipped off all the main breakers and lowered my head in the dark. *What else can go wrong with this place?*

I walked outside and looked up at the transformer which was now silent. The air conditioning condensers on the ground near the building were also quiet. The transformer had most likely given out in the heat. I picked up the phone and called the power company. A woman on the other end answered.

“How may I help you?”

“Yes, I'm currently downtown and a transformer in the Chestnut Street parking lot has given out.”

“Yes, sir. With this extreme heat, sometimes it happens.”

“Well, I own the salon adjacent to it and my employee said the lights were flickering on and off

before it blew. I also had a bunch of thermostats catch fire inside my place.”

“Thermostats?”

“Yes, I have multiple air conditioning units inside my business. Each has a thermostat. I believe the failure of the transformer caused them all to catch fire. I think the fluctuations in the power and surges from the transformer were the cause.”

“Well, sir, it is an extremely muggy day today. These things happen. I assume everything is okay?”

“Yes, everyone is fine, but I have fire damage.”

“It is unfortunate what happened, but we take no responsibility for property damage when these things occur in extreme weather.”

I knew where this conversation was headed. I was too exhausted to put up a fight given the amount of damage that had occurred.

“Of course not,” I sighed and hung up.

A few days later I had my HVAC technician, Dennis, come in and survey the damage. Half of my air conditioning units were inoperable.

“You’re looking about \$2,500 to \$5,000 depending on which thermostats I can save, and which need to be replaced and rewired,” the technician said as he scribbled down the price on work order. “They definitely fizzed out because of the transformer.”

“Gross. I already called the power company to let them know what had happened and they pretty much told me to go kick rocks.”

“Yeah, you’re not going to get much out of the power company when something like this happens.”

“Oh, I know. I didn’t even put up a fight.”

Dennis spent the next couple of days repairing and rewiring the thermostats and condensers to ensure they were in working order. I repaired and repainted over the fire damage and got everything cleaned up and ready to go for the fall. The fire incident ending up setting me back a little more than \$3,000. These unexpected issues here and there were piling up. I brought my employees in for the bi-annual staff meeting to discuss the upcoming semester before going to the pizzeria to gather all the new employees there to also discuss the upcoming semester.

After squaring everything away, I took a few badly needed days off to take a beach trip to the

coast to recharge after committing so much time and effort to getting the restaurant and salon ready. When I returned, I was fully ready to embrace the grind that awaited.

Business Mistake: Burning Out

It was a hectic time for me to take off on a beach trip, but it was one that I sorely needed. I had been putting in very long days in preparation for the return of the students for the semester. Only after I was sure that everything was squared away with my managers did I feel comfortable escaping for a couple of days.

The trip did wonders for my energy and mental state. I knew that I was burned out physically and mentally, and just needed a few days away from it all before things really ramped up. Had I not taken the trip to the beach for some sun and relaxation, I would have certainly burned out and lost focus during a crucial time as a business owner.

Burn out is real and can have a drastically negative effect on your physical and mental health and your ability to make smart decisions in business. Today, where everyone seemingly competes to clock the most hours, don't be afraid to take a day here and there to recharge physically and mentally. Workplaces are also now offering more ways that allow for employees to destress at work and maintain a positive frame of mind. Tech giants like Google and Apple lead the way in this department, but many other companies are following suit with this practice.

There is a fine line between the grind and work overload. The grind can lead to great success in business. Work overload can lead to poor decision-making, unbearable stress, and physical ailment. Find that line.

I received a call from Will upon my return.

“Did you see the new pizzerias opening up?” he asked.

“What pizzerias? No.”

“Yeah, apparently, there is one opening on Beech Street, another on Walnut and another on Main. One of my employees told me about it. I guess the signs just went up.”

“Wait, so there are three new pizzerias opening for the semester?”

“I guess so,” Will replied.

“How the hell did we not know about this?” I exclaimed. “How the hell can three pizzerias be going in around town all at once? This market isn't big enough for that!”

Will was right. I took a drive around town to check out the locations, and sure enough there were three new pizzerias prepping to open for the fall semester. None of the three had as good a location, nor was I worried that their product was better as none of them were large, well-known pizza chains, but there was little doubt that all the new competition would take a big share out of the market. It was, quite frankly, incredible timing. If I had known this a month ago, I would have opted to not move forward with the purchase, but it was too late now. I had to be prepared to battle three new competitors for a share of the market.

I would come find out a few weeks later that a fourth pizzeria was planning to open and that one of the biggest bars downtown was clearing out space to put in a pizza bar as well. It was like every person that ever wanted to be in the pizza business in my hometown had decided to open a pizzeria all at once. It was frustratingly hard to comprehend. The only thing that kept me hopeful was our location. Nobody had a better location than we did, right on the main thoroughfare and surrounded by bars and student housing.

Business Mistake: Not Doing Market Research

I had done my market research prior to opening the pizzeria in Columbia. Will, Jared, and I visited the different competitors and sampled the product to know exactly with whom we would be competing. When it came to purchase the pizzeria back in my hometown, I assumed I knew the market already and that all my competitors already existed and that I had frequented each place at least once.

But I never took the effort to see if any new competitors were entering the market. I had enough contacts around town in the real estate business to find out this information, but I felt I was too busy at the time to put in the time to do the research. And anyway, I had so much confidence in our product and our location that I felt it didn't matter. I was wrong.

It is highly important to do a thorough study of the market you're entering. Who are your competitors? What makes them popular? Where is their product pricing? What kind of advertising do they use?

As I was realizing in my current situation, it's also important to know the pipeline. Are there any new competitors entering the market? If so, how much of a threat to your market share do they represent? Is the product and concept similar? I would come to find out that all five new competitors planned to cater to the late-night student crowd. These new findings seriously impacted the attractiveness of the investment, but only after I had made the purchase. I had made a big mistake with my parents' money. I felt horrible.

Armed with this additional information on the market, I went to work to guarantee we put ourselves in the best possible situation to succeed. Ben and I agreed that I would work every Thursday and Friday night for the foreseeable future, to ensure that things were being done right during the busiest hours of the week. Ben, in return, would work Saturday and a couple of day shifts. At that time, he was an insurance agent with the ability to make his own schedule, so the arrangement worked for both of us.

However, Ben was as inexperienced as all the other employees when it came time to making the pizzas and running the register. I had to train him and the rest of the staff as we went along during those first couple of shifts, and it quickly became apparent that he did not handle the pressures of the job very well. The pizzeria's prime operating hours were between 12:00 and 3:00 on Thursday, Friday, and Saturday night. This required the patience to deal with drunk, unruly customers while still pushing out pizzas and calzones as fast as possible. I enjoyed the atmosphere, tossing pizza dough high in the air to impress the customers, while also pumping hip-hop music out of the stereo I had mounted near the counter.

I could tell quickly that Ben didn't want much to do with it. He was often very high strung, snapping at employees and at me when things seemed to be out of sorts. One evening while we were both working, he started to panic when he couldn't find the food for an order slip he was holding.

"Ben, you need to calm down," I told him as I shoved a pizza in the oven.

"Don't tell me to calm down. We have this order missing right here. Where did it go? We need a better ticketing system, now!"

"What order is it?"

"A buffalo chicken calzone and chicken tenders."

"It's in the oven, man," I said as I opened the oven door and pointed at the food. "You need to get it together. Everything is fine."

He wiped at his brow with his sleeve and got back to work. I shook my head with worry. *Maybe he's not quite cut out for this*, I thought to myself.

Thursdays and Fridays were brutally long days during this time. Every Thursday starting at 7:30 a.m., I had a business networking event that I attended for an hour before heading into my real estate office to work on deals I had in the pipeline. I'd then head home and switch into my work clothes to run the pizzeria that night until 3:00 a.m. I remember coming home every Thursday night, with barely enough energy to take a shower before going to sleep. I'd then wake up around 10:30

a.m. the following Friday morning and head back to my real estate office and then to the tanning salon before running the pizzeria again that night until 4:00 a.m. Jared continued to run the show in Columbia, assuring me that everything was going smoothly.

I traveled to Columbia for the university's upcoming home football game. It was the first big collegiate weekend in Columbia, and I wanted to make sure that I was there to oversee the operations of the pizzeria. Although the university's football team lost, business was strong throughout the weekend, with compliments flooding in from new and returning customers.

"This is the best pizza in Columbia, no doubt," one exclaimed.

"I love the crust. This place is awesome," said another.

Hearing that kind of feedback made all the work worthwhile, in my opinion.

Joe, our landlord, walked in one afternoon while I was there during the first few weeks of the semester to deliver some discouraging information. The nightclub concept he thought was going to occupy the prime end-cap space where his record store was currently located had backed out of the agreement.

"However," Joe said, "I have another club and bar entity that is interested. I want to get a tenant in there that will provide good synergy with you guys."

"I appreciate the update and what you're trying to do. A nightclub concept there is really what sold us on the space. I hope you can deliver."

I hid it from Joe, but I was apoplectic at the news. Here this guy had basically assured us this nightclub concept was going in to get us to sign a lease, and now the space was going to be empty. All I could do was hope that he would do the right thing and continue to pursue concepts that would be complementary fit with what we were doing at the pizzeria.

I returned to Martinsville later that week physically crushed and the responsibility that overseeing my businesses was unrelenting. But, I was loving it and mentally in a great state of mind. I had multiple tangible assets I could point to and say, "That's mine." All three businesses were rolling with only minimal hiccups in operations, although I did have one employee once try to serve a pizza without topping it with cheese!

Then it happened, again. In the middle of October of 2009, approximately one year removed from the previous flood, I stopped inside the salon early one morning to check on the place and ensure the employees were correctly executing the closing procedures. I immediately heard a dreadful sound. The sound of water running and trickling overhead. I turned and walked down one of the

long hallways to see water streaming from the metal ceiling onto the walls of the salon. Some of the walls and ceiling drywall had already collapsed onto the tanning beds.

“Are you kidding me,” I screamed. “This can’t be happening again!” It was the same exact scene from nearly a year ago. Water was flowing from somewhere above in The Dominion.

“That Dominion,” I screamed as I marched upstairs and attempted to open the front door, but it was locked. The employees were not there yet to open the store. I stormed back down to the salon and called my employees on schedule that day to tell them not to come in. I then called John.

“It happened again.”

“What?”

“The salon! It flooded again! The Dominion, again!” I screamed.

“Jesus, do you need me to do anything?”

“No, I’m going to handle it.”

I hung up the phone and marched back upstairs to The Dominion. The lights were now on and two employees were inside mopping up the floors. I was about to explode with anger as I walked in to the store.

“So, what happened, now?” I asked as a guy with horn rimmed glasses looked up at me.

“Oh, um, we had a flood.”

“I can see you had a flood. Its pouring down on my salon right now. What happened?”

“Um, well, it looks like the employees on shift last night left the mop sink running with the mop in it. It overflowed overnight.”

“Wait. Are you serious? That is the reason for this? My salon is full of water. It destroyed. Again! Get Jim on the phone and tell him to get down here. This is entirely your fault,” I barked pointing the finger at the employee. “You know, I wouldn’t be surprised if your careless coworkers were smoking weed while closing last night and were too high to realize they’d left the water running. I know you guys are back there smoking after you close the store. I’ve smelled it in the back stairwell before.”

I didn’t have factual evidence for the claim, but it wouldn’t have surprised me. Even to this day I ask myself how someone could be as idiotic as to leave a sink running with the mop head clogging the drain. It was just mind boggling.

“I don’t know anything about that,” said the kid in the glasses.

“Just get Jim down here as soon as possible,” I said before turning to leave.

Jim came down later that day, again with the same insurance agent in tow. I didn’t shake his hand as he entered the salon, but instead stood in front of the reception desk with a scowl on my face as water sloshed at my feet.

“I assume you’re going to tell me that this isn’t your fault either,” I said sarcastically.

“No, it’s not,” he replied as his insurance agent nodded.

“Wait, wait?” my eyes widened.

His insurance agent stepped in. “There is no way that he could have prevented this from occurring. There were no precautions he could have implemented that would have stopped this from happening. So, The Dominion is not at fault.”

I couldn’t believe what I was hearing. “They’re your employees!” I said pointing my finger at him. “They’re not my employees! Here’s an idea! Don’t hire people that are going to leave the mop in the mop sink with the water running. Oh, and maybe you shouldn’t let them smoke weed in the back stairwell when their work shifts are over. I can’t believe you’re trying to say you’re not to blame.”

“Ryan, I know you’re upset, but there is nothing that we could have done here. We are not going to accept responsibility.”

“But they’re your employees, Jim!” I barked.

“Even so.”

“This is truly incredible. You’re going to make my insurance company chase you down again? Do you realize what this is doing to my insurance premiums? Do you realize how much the last flood cost me? One hundred and twenty-five thousand,” I let the number slowly roll off my tongue. “You’re going to really make me go through this again, are you? Even though I had nothing to do with this? This is incredible,” I repeated.

“That is just the way it is. That is how the policy is written,” the insurance agent shrugged his shoulders.

I had about had it with this guy. He was acting like he was Jim’s lackey or something. I should have made a call to his superiors to see why his company refused to back their client in an insurance case that was clearly his fault.

“This is a joke,” I furiously barked before turning around and walking down the hallway. I called John to let him know that The Dominion was again refusing to take responsibility for another incident, and then called my insurance company.

“Oh, wow,” the woman on the other line exclaimed when I told her what had just happened. “They’re really being difficult about this.”

“So, we have to go through subrogation again?”

“Yes. We will handle the claim and then subrogate against them. Just follow the same process as last time.”

“Thank you very much for taking care of it for me,” I said before hanging up.

I went over to the reception counter and fired up the computer. I typed out a “Sorry We’re Closed” sign which included the full explanation for what had occurred and blaming The Dominion for the closure. My customers had to know these floods were not my fault. I then called Craig of ACI.

“Jesus, man. You need to get rid of that place. I feel like it floods every month. And why does it feel like it happens every October?”

“Because it has happened every October. Second week for the last three years. It is pretty remarkable.”

“Same drill as before. I’ll get down there and get started for you, buddy.”

“Thanks Craig, I don’t know what I’d do without you. You’re my savior!”

“Whoa, buddy, let’s not go too far here,” he laughed as he hung up.

I chuckled as the line went dead. At this point, all I could do was laugh to keep from breaking down.

Chapter 19: Back Stabbed

Craig, now being very familiar with rebuilding my salon, worked his magic and the salon was back open after three weeks of repairs and remodeling. My superstar manager, Jamie, came up to me during this time and said that she was leaving at the end of the semester due to graduation. I was not surprised, but I was still disappointed. Not only was she trustworthy and reliable, she ran a tight ship with the rest of the employees and genuinely cared about the performance of the salon. I had learned over the past couple of years that it was hard to find a college-aged employee that cared about their job the way Jamie did. I quickly sought a replacement, not putting the time and effort into committing to the process. I named one of my current employees, Julia, the new manager, simply because she showed the most desire for the promotion. I did not take the time to look at any other candidates. It was a move I would regret.

Business Mistake: Poor Hiring and Poor Promoting

Your business will only go as far as you and your employees can take it. I've taken the "I'll give them an opportunity" approach. I've taken the "One last chance" approach. What have I learned? Those approaches don't work. The approach I took toward the latter half of my entrepreneurial career was "Hire slowly, fire quickly." I far too often hired quickly and fired slowly, letting poor employees drain me of my time, resources and profit, waiting for them to get it together. There was one thing these poor employees all had in common: they never got it together. I reversed course after learning my soft approach didn't work, quickly firing employees that no-showed for a shift, exhibited a poor work ethic, interacted rudely with customers, or stole from my business.

I've had employees with the audacity to try and give away free tans or pizza to friends while I was ten feet away. My tanning salon had a POS system with fingerprint scanning, which logged every customer that came in to tan each day. One day, I found one of my employees had tanned ten times in a single day, a clear indication that she was handing out tans for free to her friends. When I confronted her with my findings and asked her why she thought she could get away with it, she just shrugged her shoulders nonchalantly. "Please go," I said as I pointed toward the door. She turned around and left, and I never

saw her again. She was a clear example of a toxic employee who couldn't care less about her job and couldn't care less that she had just got caught stealing.

Another employee once asked for a \$400 advance on her paycheck because she was going through a rough patch financially. I tried to do the right thing and advanced her the \$400. She did not show up the next day and I never saw her again.

Honestly, at the time, it came as a bit of a surprise to me that there were people out there that had no problem stealing from the business that employed them in such blatant ways.

Yet, I only had myself to blame for things like this. If I had taken more time during the interview process to vet potential hires, I wouldn't have to spend so much time trying to coddle the poor ones I had hired. As I moved through my entrepreneurial career, I would ask friends and family of mine to shop my businesses and report back on their experiences and their interactions with my employees. Employees who got less than glowing reviews were quickly replaced.

This is exactly why larger companies have people dedicated to screening applicants and putting potential hires through multiple interviews with multiple people prior to settling on the right candidate. Bad hires can cost large companies millions of dollars.

This applies to all levels of business. Even if you're a small business owner, you need to use the same type of scrutiny and vetting of your potential hires. Successful hires will improve a business. Poor ones will bring it all down. It can mean the difference between a highly successful company and a mediocre or failing one.

When you do have employees that show a dedication to their position and a strong work ethic, they should be awarded appropriately, either through promotion or sales bonuses. At the salon, employees who sold the most lotions monthly received sales bonuses in their checks. At the pizzerias, bonuses were issued based on hard work and excellent performance. I wanted to ensure that their good work was being noticed.

Bonus incentives are a great way to keep employees focused and dedicated to their job performance, no matter the industry.

After we reopened the salon, I noticed that the customer based had dropped off more than before, and more customers openly complained that we were closed for flood repairs way too often. It was frustrating, trying to explain that the situations were out of my control, and it did little to appease my customers. Jamie spent time trying to smooth the situation out while also training Julia to

take over for her duties.

I spent my workdays between the salon, the pizzerias, and my real estate brokerage business, ensuring that I devoted adequate time to everything. Everything was going about as smoothly as I could have hoped at the time, but that all changed on a cold, snowy February day when I entered my hometown pizzeria.

I had stopped into the pizzeria to check on Ben, who was running the shop that day. He turned to me, eyes wide.

“Look at this,” he said as he held up an envelope. I walked behind the counter and took it from him. I pulled the folded sheets from the envelope and opened them up to see what had Ben so spooked.

Oh no, I thought as I began to read what I quickly realized was a legal complaint filed on behalf of my friend Steve, the previous owner of the pizzeria. The complaint had come from the law offices of his father and brother.

“Unjust enrichment? Conspiracy? Collusion? What is this nonsense?” I exclaimed, thumbing through the complaint.

“Steve is suing you, me, Will, and Jared over the sale of the pizzeria. I got so angry reading the first paragraph that I didn’t even read the rest,” Ben spat out.

I scanned the complaint, trying to digest all the claims. “Okay, so Steve is basically saying that we all conspired together to drive him out of business and that he still legally has ownership of the pizzeria and all the equipment. He says we are making a profit off his equipment. Are you serious? This is the dumbest lawsuit I’ve ever seen. I mean, we got the green light from Will’s lawyer friend before we did anything. Why is Steve doing this? This is completely garbage.” I said as I slammed the papers down on the counter.

“Now what do we do?” Ben asked.

I picked up my phone and called Will immediately.

“Have you gotten the papers yet?” I asked.

“What are you talking about,” Will replied.

“Steve is suing you, me, Ben, and Jared over the sale of the pizzeria. He is arguing that the pizzeria was never yours to sell and that he still has legal ownership. You didn’t have the right to go there and change the locks after he walked away.”

“This guy is such an idiot. He called and told me he was done and walking away the day he closed. He never stepped foot in there after that. Of course, I would change the locks!” Will shouted over the phone.

“He’s saying in this lawsuit that what you did was illegal, and that you and I conspired to put him out of business.”

Will began to chuckle. “Okay, this is stupid.”

“We are still going to have to address it,” I said, still completely serious. “Even though it’s garbage, he has his brother and father filing the lawsuit, so I’m sure he’s getting this pro-bono. It’s going to cost us money to fight it. Money, I really don’t have to burn on this stupid thing.”

“You know what? If his brother and father are filing it, I bet they’re trying to save face with Steve’s brother-in-law.”

“Huh?” I replied. I was lost.

“Steve borrowed the \$50,000 down payment from his sister’s fiancé. It was his money, not Steve’s, and Steve lost it all. I bet the family is doing this to make it look like it was all our fault.

“Jesus, that is exactly what they’re doing!” I shouted. “Well, we have to take care of it.”

“Let me talk to my buddy’s dad. He’s a lawyer. Let’s see what he has to say on the matter,” Will said.

“Set up a meeting and I’ll go with you,” I replied before hanging up.

We met with the lawyer a few days later and the meeting did not go well.

“Get ready, because you potentially have a case on your hands,” the lawyer concluded after he read the lawsuit documents.

“What do you mean?” I asked. “It stated in the contract that everything reverts back to Will if Steve defaulted on the contract. We even talked to another attorney who said that everything was perfectly legal before we completed the deal. Now you’re saying it may not be? Everything is in the contract.”

“Sure,” the lawyer turned to address Will. “But it is possible you did not have the legal right to change the locks on the doors without letting Steve know. He was preventing Steve from accessing the restaurant and the equipment in the instance he wanted to resume operations.”

“He had defaulted on the lease, though,” Will pleaded.

“I’m just saying, he could have a case,” the lawyer shrugged his shoulders.

We left his office and walked out into the chilly winter air.

“Okay, that guy is full of it,” I said, thumbing at the front door of his office. “He has no idea what he is talking about. Let me call my lawyer, Brian, and see what he thinks. He’ll shoot us straight. I bet he tells us it’s a bunch of garbage.”

“Well, it sounds like a weak case,” Brian responded after I laid out the complaint over the phone. “If Will had an agreement with Steve that stated that the restaurant and equipment reverted to him in the case of default, then Steve really doesn’t have any legal recourse. But, until I see the contract between Will and Steve, I can’t say for certain that you’re out of the woods. And you had no contact with Steve and Will regarding their sale and negotiations?”

“None,” I replied. “I stayed completely out of it and I never got involved at any point, any step of the way.”

“Good, then he can’t try and get you on that if he has no evidence. Send over the complaint and I’ll look at it.”

“Brian, I know this lawsuit is garbage. I know Steve just got his brother and father to cover him by filing this lawsuit. Can I sue them for attorney’s fees because this lawsuit is ridiculous? I shouldn’t have to pay for this.”

“You could, but then I have to prove it is a completely baseless lawsuit, which will require more effort and time on my part. Even if you win, the billable hours spent will probably offset any gains you may receive.”

“So, I’m going to have to fork out five or ten thousand dollars for this crap and just eat the cost? What a joke,” I was pissed.

“It’s the cost of doing business, unfortunately,” Brian replied.

I hung up with Brian and gave Ben a call. “Do you want the good news or bad news first?”

“Bad.”

“We are looking at several thousand dollars in attorney fees to fight this thing.”

“So, what in the hell could be the good news?” Ben retorted.

“Brian thinks it’s a weak case.”

“Can’t we sue for them to pay the attorney fees then?”

“I already asked that,” I replied. “Basically, we would have to prove the entire lawsuit is without merit. It would cost as much as it would be worth, I guess.”

“Dammit. What are we going to do? We need to be banking everything we make for the summer!” Ben said.

“I know. We’ll have to figure it out,” I said as I ended the call.

Once again, someone’s lack of taking accountability for their screw ups had put me in a financially perilous situation.

Chapter 20: The Cracks Get Bigger

March of 2010 hit and everything was in full swing for the springtime at the salon. The business at the salon was slow to come back after the third flood in three years, but then it roared back in the weeks leading up to spring break as it usually did. We hit a record day for foot traffic with approximately 430 customers through the door the Monday prior to Spring Break. In comparison, the same day the year before John and I took ownership, the salon saw 150 customers. We had really lifted the business up over the past three years, despite all the problems we had encountered along the way.

However, three things brought the salon down quickly in those spring months of 2010.

First, in March of 2010, then-President Barack Obama passed his landmark healthcare legislation, the Affordable Care Act. Buried deep inside this legislation was a “tanning tax” which enacted a 10% tax *on top of the 6% state sales tax* I was already paying. My business income was now being taxed by the government at a rate of 16%! To weather this financial hit, I raised my pricing by 10% to offset the new taxation. Unsurprisingly, this change was very poorly received by my customer base, and business dropped rapidly as the semester came to an end. The tax really ate into my profit margin.

Second, I was having an accounting problem. I came down to the salon one day late in April and collected the paperwork for the past couple of weeks. As I usually did, I scanned through it to match up the day’s take with what was recorded on the POS report. Most often, the reports matched. Sometimes, there was a slight discrepancy, usually around \$5, due to a mistake on behalf of my employees when counting or entering information in the POS.

But these April forms were alarming. The discrepancy was often \$100 or more, and it was happening every three or four days. I took the information to Julia while she was on her shift, to see if she was aware of the problem.

“What is going on here in these reports? There is a negative discrepancy over multiple days. I’ve added it up and its almost \$1,000!” I said, holding up the paperwork.

“Oh, I know. I’ve been trying to find out what is going on. I’ve been going back through the paperwork. I’m not sure where the error is occurring. Someone on staff must not know what they’re doing when closing the reports.”

“Get to the bottom of it. Someone is either terrible at the paperwork, or someone is stealing. Neither are acceptable. You need to get this fixed, immediately,” I barked.

“Yes, I will. I’m going to come in every night and make sure they’re counting correctly so that everything adds up and is correct.”

“That’s a good idea. I can’t have \$1,000 missing. That just can’t happen,” I said as she turned to leave.

I went to the salon a week later and checked the paperwork again. The numbers added up, but no money had been deposited.

“Julia, the numbers add up but no cash has been deposited. Where is it?” I asked.

“I have it back here in the safe,” she replied.

I had a safe in the back of the salon where the employees would place the money at the end of every night. I followed her back to the laundry room where the safe was located.

“Here,” she said, opening the safe. “There is about \$4,000 here.”

“Julia, this money needs to be going into the bank every night. You can’t be placing it all back in the safe and waiting until the end of the week to deposit it all. I mean, the bank is across the street. You don’t have to go far. I have bills that are paid automatically out of the business account every week. I can’t have the money sitting around. I need it in the bank.”

“I’m sorry, it was just easier for me to do it once a week.”

“The bank is across the street.”

“I’m sorry.”

“Don’t apologize, just start depositing the money every night like you should be doing.”

I checked my bank account over the next couple of days to see the \$4,000 in there, along with smaller deposits, and that indicated that she had started doing daily deposits again.

Another couple of weeks went by, and I sat down to do some accounting work as the semester ended. I opened the salon bank account online to see that the daily deposits had stopped and that no money had been deposited in the last couple of days.

“Oh, hell,” I spat as I immediately grabbed my car keys and headed down to the salon to talk to Julia.

“Julia!” I barked as I stepped inside. She quickly appeared from around the corner.

“Oh, hey,” she replied, muted.

“You know why I’m here don’t you?”

“We are missing some deposits,” she muttered.

“What happened to them?”

“Okay, so I bunched some deposits together and I put them all back in the safe. I’m sorry, I know I shouldn’t have done that. But I came in the next morning and the money was gone.”

“What! Gone?”

“Yeah, someone must have stolen it when I wasn’t here.”

My eyes narrowed. “How the hell could this have happened?”

“I don’t know.”

“Give me the paperwork,” I ordered, holding out my hand. She went around the reception desk and pulled out the paperwork for the last couple of weeks. I grabbed it and left without saying a word. I needed to find out how much was missing and who in the hell had it.

I returned to my apartment and immediately started thumbing through the reports. I quickly noticed that the daily deposit slips over the past three weeks were lower than the cash amounts on the POS reports and the cash drawer balance sheet. Someone was skimming money off the top prior to filling out the deposit slip.

It was Julia. I recognized her handwriting, and in every case, she was the closing employee on the days where the money was missing. I then counted the amount of money that had disappeared and combined it with the money that Julia had skimmed. It added up to more than \$4,000 dollars. It was quickly becoming apparent that Julia had been playing me for a fool for the past month. This whole time, she had me thinking it was an employee that was causing this financial mess, when it was her all along.

I felt the rage billow inside my chest. I was furious. At this point in my entrepreneurial career, I prided in not letting my employees get away with anything, meticulously checking my books to ensure nobody was stealing with me. But here I had let Julia manipulate the situation and steal more than \$4,000 of my money. Combined with the \$3,000 to repair the thermostats from the fire, that

was nearly \$8,000 gone heading into the summer. For a small business such as mine, it was a substantial amount of lost profit. It killed me emotionally.

I went back down to the salon to confront Julia with my findings. She was closing the salon when I approached her and held up the paperwork. "This is you, Julia," I said menacingly.

"What, you think I stole the money? I told you, it disappeared."

"I went back through all the reports. Your fingerprints are all over it. You're the only one that wrote these bogus deposit slips. You're the only one that has been in the safe. It was you. You've stolen more than \$4,000 of my money!"

"I-I don't know what you're talking about," she stammered.

"Stop lying!" I shouted. "You're lucky I don't call the police for grand larceny! Now get the hell out of here," I pointed toward the door.

She gave me a half grin before grabbing her stuff and walking out the door. After she left, I lowered my head and took a deep breath. I'd been played.

A few weeks later, I received a letter from the state unemployment office stating that since Julia had worked at my salon more than thirty hours a week, I owed her unemployment for letting her go. I could not believe what I was reading.

This woman stole from me, and now wants me to pay her unemployment? I thought as I read the letter. I grabbed my paperwork from the salon, got in my car and drove straight to the unemployment office. I sat down with a woman at the office to explain the situation.

"Ma'am, this paperwork states that I'm responsible for unemployment benefits for Julia. I don't understand why?"

"Since you let her go from her job, she's entitled to unemployment benefits because she was a full-time employee."

"Ma'am, I didn't let her go. I fired her. I fired her because she was stealing from me and doctoring paperwork. She stole more than \$4,000 from the business. That is why she's not working for me anymore. I shouldn't have to pay unemployment to someone who stole money from my business, should I?"

"Do you have evidence of this?" the woman replied.

"Oh, I have evidence. Plenty of evidence. In fact, I brought it with me."

"Okay, if you have proof that she was stealing from you, then we will deny her unemployment

claim and you will not owe anything.”

“Not a problem,” I said as I pulled out the files. “Here.”

“Okay, we will be in touch after I’ve reviewed the information. Thank you.”

“Thank you, ma’am,” I said, shaking her hand before turning to leave.

The woman kept her word. About a week later I received a letter in the mail that stated that my information checked out and that they would not be honoring Julia’s claim for unemployment. It was a small victory in a sea of losses. Even to this day, it is hard for me to comprehend how someone could steal from me, and then turn around and try to milk the government for unemployment after being fired for breaking the law. I never spoke or heard from Julia ever again.

The third thing that brought down my salon, and this was the back breaker. It was a call from my insurance company in late May.

“Yes, Ryan, this is Patricia from your insurance company.”

“Hello, Patricia, how are you doing today?”

“I’m doing well, how are you?”

“Well, I’ve been better! Got a lot going on right now.”

“I’m sorry. I think this phone call might not help.”

“Oh?” my attention perked up.

“Yes, we reviewed your policy for 2010-2011 and we have decided not to renew it. Given the amount of claims you’ve had already, we cannot justify continuing to cover your business. There is too much risk involved with the space that you occupy.”

“It is because of the floods that I’ve had?”

“Yes. Three large claims in three years is very uncommon.”

“But you know those were not my fault? And the first claim you didn’t even cover because it was sewage backup?”

“Yes, but we’ve had to subrogate against the tenant upstairs twice in two years. We believe there is something inherently wrong with either that business or the building in general, and it presents too much of a risk for our company. I hope you understand.”

“I understand where you’re coming from, but if you subrogated against the tenant above me and

his insurance company, shouldn't that make you whole?"

"I'm not aware of where those proceedings are right now," Patricia responded.

"What am I supposed to do now? Obviously, you know getting insurance coverage for a tanning salon is not the easiest thing in the world, especially with the new tanning tax."

"Yes, I know, and I'm sorry."

"So, when does my coverage end?" I asked.

You enrolled in coverage on July 2, 2007, so your coverage will end on July 1, 2010. That would give you a little over a month to gain new coverage."

"Okay," I said, defeated.

"Take care, Ryan."

I hung up and stared off into space, dejected. Now what?

Chapter 21: On the Brink

That call put a nice bow on what was a terrible three months. The lawsuit with Steve was in full swing, and I had to gather all the information I could to give to his attorneys for the discovery process. Steve's family had requested documentation of all my phone calls with Ben, Will and Jared, a list of all the equipment Ben and I were currently using to "unjustly enrich ourselves" and Will and I's current business relationship.

I had no problem providing all the information I could, because all it did was prove that there was no wrongdoing by any of us. I even lined up witnesses that would take the stand in my defense and testify that I had presented them with Will's offer to purchase the pizzeria prior to purchasing it myself. As time went on, I became more and more confident that this whole mess would be dismissed. But, it was still costing me more money than I had in the bank, and my financial situation was becoming more of a concern as my businesses headed into the slow summer months.

During this time, I had the manager of one of my main competitors come up to me about the possibility of selling the pizzeria in Martinsville. He offered to purchase it for what Ben and I had bought it for previously: \$40,000. This presented me with a chance to just cash out and move on, considering the market's changing landscape. He made it known that they were hurting from all the new competition as well, and they were looking to buy out some competitors to increase market share.

This possibility started the reshaping of my mindset. I was about to enter year three of my entrepreneurial career, and I did not have much to show for all my arduous work and dedication to making sure my businesses ran efficiently. My salon had flooded three times and caught fire once, and I had just been bilked for more than \$4,000 by Julia. My pizzeria in Columbia was doing okay, but the delay in opening (due to the second salon flood), grease trap fiasco, and plumbing lawsuit had eaten away at nearly all my profit and left us with little in cash reserves entering the second summer. Now, I was embroiled in a lawsuit with Steve over the hometown pizzeria, a stupid lawsuit that was bleeding me cash. In addition, my real estate career was floundering because I was spending so much time putting out fires at my businesses.

The bottom line was: I had spread myself too thin. In my ambitious mission to create multiple streams of income for myself, I had really created none. My small businesses were running me, instead of the other way around. I needed to simplify my life and get things together financially, or I was going to find myself in a hole too deep to dig out of.

I called my lawyer, Brian, to see if it was possible to sell the pizzeria while we were currently embroiled in the lawsuit with Steve.

“Legally, you could, but with the lawsuit hanging over everyone, I would not advise it. You would have to let them know that there is a lawsuit currently ongoing and if you were to somehow lose, which I don’t think you will, that the equipment and the business would revert to Steve. Honestly, I don’t see anyone purchasing the pizzeria with that possibility floating out there.”

“Damn, you’re right,” I replied. “So, basically we’re stuck until this whole thing is over.”

“Most likely,” Brian said.

So, selling my hometown pizzeria was off the table thanks to Steve’s frivolous lawsuit. I was going to have to see the lawsuit through to the end, the pizzeria suffering along the way.

I called Jared and Will up. “What do you guys think of selling the Columbia pizzeria?”

Jared was the first to answer, “I’m on board with that.”

“You are?” I replied.

“Yes. To be honest, traveling back and forth to Columbia and spending most my time there is starting to wear me down. I think we should consider selling over the summer break. I mean, the whole reason we picked that space is because Joe promised us a big night club was going in. That space is still empty, so he screwed us on that. I’d say we first try to sell the name and the concept, keeping the franchise rights. We can teach the new owners and provide them with the product they need to succeed.”

Jared and Will were just as disenchanted with Joe as I was. His record store had long closed, and the space was, cold, dark, and empty, making the building look deserted. Having a large vacant space in the building did not help our foot traffic one bit.

There were no objections from Will on the prospect of selling, and I had the largest share, so I decided to go ahead with it. “Okay, let’s go ahead and get it on the market.”

Jared set up the listing with a small commercial broker that he knew, and we got it on the market for \$60,000. At this point, I had about \$50,000 in it, with a maxed credit line of \$15,000, so even if

we sold it for full price, I was going to be upside down by \$5,000. It was a tough pill to swallow knowing that all the long days, sleepless nights, all the sacrifices I took to make the business successful were going to be for naught. I wasn't even going to get my original investment back. However, at this point, considering my issues with my hometown pizzeria and salon, I would have been happy getting \$40,000 back out of it and moving on.

Though, we had another problem. Our financials on paper were not strong enough to warrant a \$60,000 asking price. We had to get creative in marketing to ensure we could get somewhere close to that number. We touted the strong location, the fact that it was turn-key, and that we had a very loyal customer base.

The marketing tactics worked. We had a couple of interested parties in a short amount of time, intrigued at the thought of stepping in and continuing operations. In addition, the buyers were willing to keep the name and continue using the product, giving us a 6% franchise fee for doing so.

News progressively got more promising, and one party stepped forward and put down the \$1,000 earnest money deposit and executed the sales agreement to purchase the restaurant for the full \$60,000. I was elated. I was going to get nearly my entire investment back.

But weeks passed, and no progress was made on behalf of the buyer. Then, the time of performance dated in the contract passed with still no action. Our broker called up the buyers and asked if they had any intention of consummating the sale, and their reply was, "I don't know."

We kept their \$1,000 and considered the deal dead. They had just taken the pizzeria off the market for a month and failed to follow through with the purchase. It was an enormous gut punch, and now we were in the dead middle of summer, draining our reserve cash. Between the three businesses, I had about \$4,000 in petty cash left to last another month and a half. I was going to run out of money if something didn't change soon.

Chapter 22: Devastation

I had one option left. I had to sell the salon. This was not an easy decision to make from an emotional standpoint. I love the salon. I had weathered so many storms and pushed through so many odd occurrences with the salon that I had grown a weird fondness for it. But, I had just fired Julia for stealing, been hit with a 10% tax increase, and dropped by my insurance. Plus, I was just disenchanted with entrepreneurship in general. I had gained nothing from it. Selling the salon ended up being the logical choice. Being in the real estate business, I listed the salon myself. After talking with my accountant, I put it for sale for \$90,000, which was \$30,000 more than what John and I had paid for it nearly three years ago. This price, I felt, was a little low considering the foot traffic and the amount of sales per day the salon was doing. But, the salon industry was trending downward with the new taxation and I needed out as fast as possible given my current financial situation.

It was June of 2010, and I now had the salon and the pizzeria in Columbia on the market. With my exit strategy for at least two of my businesses underway, I put my focus back on being a residential real estate broker. Back in March, I had paid a web designer to create a personal webpage for my real estate business, and I began to blog and use my website to market myself more aggressively. Now that I was going to be free of traveling to Columbia and handling the tanning salon, I could put even more effort into real estate and let Ben handle more of the duties at the hometown pizzeria as we worked through the lawsuit. Our broker in Columbia picked up interest from another buyer, who was giving sincere consideration to purchasing the pizzeria at a price of \$45,000. I told our broker we would take \$50,000. Negotiations were still ongoing when I got a devastating call from Jared while he was in Columbia working at the pizzeria.

“Hey Ryan, you’re not going to believe this,” Jared’s voice came through on the other end of the line.

“At this point? Try me.”

“A banner just went up at the other end of the building over Joe’s record store sign.”

“Oh no.”

“It says ‘Coming Soon: New York Metro Pizza.’ He’s putting a pizzeria in the space.”

“You’re kidding me,” I whispered as my heart sank and I nearly crumpled to the floor. “He’s really doing that? He’s really putting a pizzeria in there?”

“That is what the banner says. It just went up today. I just noticed it,” Jared said frantically.

“That literally makes our pizzeria unmarketable.”

“I know. I better call our broker and let him know.”

I hung up with Jared and sat there in a daze, trying to comprehend what I had just heard. The ringing of my phone snapped me out of my daze. It was the broker in Columbia.

“Hey Ryan. So, did some digging and its true. New York Metro Pizza is going into that space. They signed a lease a couple of weeks ago.”

“So, what does that mean for us?” I asked, knowing full well what the answer would be.

“You guys are screwed. There is no way I can sell your pizzeria now with a chain like that going in 50 feet away. Your landlord just killed your business.”

And with that sentence, my entire investment was gone. I dropped my phone and brought my hands up to my face to wipe away the tears pooling in my eyes.

“What else can go wrong?” I whispered to myself.

After I got over the initial shock, I knew what I needed to do. I knew our time in Columbia was over and I wasn’t going to draw the process out any longer. I told my broker to go ahead and pull the listing from the market, and then I called up my parents and brother to tell them what had happened. As expected, the conversation did not go well, but then I got down to the real reason for the call.

“I need one of your moving trucks. I want to go to Columbia within the next couple of days and move the equipment out. I have zero intention of paying Joe another cent in rent. Not after this epic screw job he just gave us. I’ll need to get my stuff out before he changes the locks.”

So, borrowing one of my dad’s moving trucks, my brother, Jared, Ben, and I drove to Columbia at three in the morning to move the equipment out of the pizzeria. It took us about three hours, but with the sun creeping up over the horizon, we loaded the last of the tables and chairs inside the truck. We left nothing behind but the permanent fixtures we had installed and the Coke cooler, which belonged to Coke.

I turned around and took one last glance at the empty space and sighed. It was tough. Jared and

I, with a little professional help, had built out the entire space ourselves. I was proud of what we had created, and it was hard knowing it was over. With that, I left the key in the mailbox and shut the door to the place. I piled into the truck with my brother and we drove away from the building. I glanced in the rearview mirror to see the windows of the pizzeria shrink into the distance. Then I brought my attention forward and settled in for the drive back to Martinsville, assessing my current situation. I had just walked out on my lease with more than two years and a \$50,000 balance remaining, but I fully intended to never send Joe another dime in rent. My entire business relationship with this guy was built on a lie. To follow up on his lie, he went and torpedoed my business. I gave my lawyer, Brian, a call to discuss the situation and if I was making a wise decision.

“Brian, he convinced us to execute a lease by telling us a nightclub was going in this space, and then he turned around and put a pizzeria in the space instead. He just put us out of business,” I explained.

“Do you have witnesses to this conversation? Were other people around when he told you a night club was going into that space?”

“Oh, yes. My business partner and the real estate broker.”

“Good, you might be able to argue your case if it comes to that.”

“Yeah, and it’s his decision to put a pizzeria in that space that drove us to make the decision we made. I mean, what an awful move on his part.”

“Right.”

“There is about \$50,000 left on the lease agreement, which I personally guaranteed. I’m not paying him another dime in rent.”

“That is a decision that you have to make. But be ready for a legal fight if he tries to chase you down. And maybe next time, don’t personally guarantee the lease.” Brian stated.

I was ready for whatever at this point. I was on the verge of bankruptcy. *Let him chase me down*, I thought.

However, in the months that followed, not once did I ever receive a phone call, text, e-mail or letter from Joe. *Not once*. He knew what he had done. He knew he was the reason we closed shop and left town.

It ended up being a very small measure of validation that I had made the right decision by pulling out of there, but I had a bigger problem I needed to confront: I was flat broke.

Business Mistake: Personal Guarantees

I personally guaranteed the lease for the pizzeria, which meant I was on the hook personally for the lease payments if the business failed. My LLC would offer me zero financial protection based on the language in the lease agreement. In the case of personal guarantees, the landlord can come after your personal assets in the event of a lease default. It will be the last lease agreement I ever sign that I personally guarantee. The risk involved is simply too great.

Years later, I was presented with a business opportunity that required me to personally guarantee the lease. When presented with this provision in the lease agreement, I immediately balked. There was no way I was putting my personal assets on the line ever again.

Small business is about risk. You risk capital. You risk your well-being. You risk your time with the opportunity cost involved. Why risk your entire life? As this book has stated, “anything can happen.” If you personally guarantee a lease, that’s exactly what you’re putting on the line—your life—and the life of your family if they’re dependent upon you as an income source.

If you personally guarantee a lease, you better be exceedingly sure the business is going to work. Failure could leave you on the hook for the remaining balance of the lease, putting you at risk for financial ruin.

Chapter 23: Disaster Avoided

It was late spring of 2010. The salon was for sale, the Columbia pizzeria was shuttered, and the Martinsville pizzeria was embroiled in a lawsuit, draining us of all our capital and our enthusiasm. I had the \$15,000 line of credit from the Columbia pizzeria hanging over my head, along with the remaining debt on the salon and business expenses and taxes that were continually piling up. I sat at my desk and stared at my bills that had not yet been paid, a stack that was almost six inches high with what amounted to several thousand dollars of debt and expenses yet to be paid. I had little in the real estate pipeline. My heart thumped in my chest as I realized what I was facing: bankruptcy.

I knew the implications of personal bankruptcy and what it did to someone's credit and ability to obtain financing in the future. It was a route I did not want to go down, but I was quickly realizing that I may not have a choice if things didn't change quickly.

I called up my real estate attorney, Dan, and asked if I could come in for a meeting. There, I told him my plight. His feedback made the situation frighteningly real.

"Well, you don't have a lot of options available to you. If you don't get these bills paid and your taxes paid, they'll turn you over to creditors and your credit will take hit after hit. Then, you'll have the government on you if you don't pay your taxes. In all honesty, bankruptcy might be your best bet."

"Do I not have any other options?" I asked.

"Not really. You must find a way to get those bills under control. If you need anything further, let me know. If you have no way out, I wouldn't hold off on starting the bankruptcy process."

I left Dan's office with a sense of dread. I felt trapped with no options. Worse, I felt like a complete failure. Never did I envision that I'd ever be remotely close to being in this position, yet here I was with a mountain of debt and expenses and very little cash flow to offset it. My time as an entrepreneur was going to end in disaster.

I went back to my apartment and sat in my office chair, lamenting my failures. I looked at my surroundings. I was in a 500-square-foot musty apartment that smelled of stale smoke. My SUV had

loose ball bearings and was falling apart at the axles. I was stuck in a lawsuit, screwed over by a landlord, and forced to sell the only real profit engine I had in the tanning salon. It was a time in which I placed the blame at all these outside players and circumstances beyond my control. And the truth was, yes, a lot of the circumstances that led to my current state were not out of my control.

But, at the end of the day, responsibility ultimately rested with me. I had made the decision to go into these businesses. I was the one that did not demand a non-compete clause for the pizzeria in Columbia, assuming my landlord was a man of his word. I was the one who did not go through a market analysis when buying the Martinsville pizzeria, nor did I approach Steve about signing off on any claim of the restaurant when Ben and I were purchasing it. Taking these steps would have protected me from the situation I was currently facing. My situation was my fault. I needed a miracle.

Business Mistake: Not Taking Ownership

It would have been easy for me to lay my failures at the feet of others. Whether it was Steve, Joe or any of my business partners. Blaming everyone else would make me feel better, allowing me to point the finger at someone else for my lack of success and absolving me of responsibility. Sigmund Freud coined this behavior as psychological projection.^{iv}

Mentally, it allows us to shift blame off ourselves and onto others, propping ourselves up in the process and allowing us to excuse away the bad things that happen in life. This sort of self-serving behavior only undermines our ability to learn from the mistakes we've made and decreases our ability to achieve success in the future.

Take ownership of everything that happens in your life. Whether it's your career, your personal relationships or your health. Mentally owning every aspect of your life allows you to rid yourself of excuses that undermine your ability to succeed. Permanently remove phrases like "I don't have time" and "It wasn't my fault" from your lexicon. Late for an appointment because there was a car accident on the road in front of you? Leave earlier. Passed up for a promotion for someone else? Work harder. Every adversity in life should be met with meaningful action. Yes, things will happen in your life that are completely out of your control. But control what you can control. Stop making excuses. Stop blaming others. Take ownership of your life and your ability to succeed will rise considerably.

I spent a couple of days holed up in my apartment, not wanting to get out of bed. I didn't want to glance at my desk, which was piled up with the bills I was unable to pay. I had not gotten any calls about the salon. All I could think about was how much of an embarrassment I'd be when people found out I had to declare for bankruptcy. On top of that, I felt I was letting my partners and my

parents down. My failure was complete.

Business Mistake: Getting Family Involved

I cannot stress this enough from my own firsthand experiences. Do not borrow money from your family for a business venture. The downside is not worth the risk. Sure, you could turn their money into a successful investment, pay them back with interest and everyone lives happily ever after, but failure could lead to strained relationships that could last for a very, very long time.

This advice should be applied to extended family and friends as well. If you borrow money from people you care about, be ready to accept the risk of permanently damaging the relationship with those people if your investment fails.

Typically, if your investment is worth the financial risk, you will find the money and the money will find you. Family and friends are more willing to lend money to bad investments out of an inherent good to see people they love succeed. Don't take advantage of that for your own personal gain.

But, everything changed with the ring from my cellphone one morning. I was lying in bed, afraid to move, when my cell phone jolted me awake. The number was unfamiliar, but I answered it anyway. It was a buyer for the tanning salon, finally! He told me that he had extra capital lying around and wanted to place it into a new business. Little did he know; his timing was impeccable. He was also willing to pay full asking price. It was like the universe was throwing me a small bone. I was elated.

"Thirty-day close," he said over the phone, as we hashed out the terms.

"That works for me," I replied, barely able to contain my joy over the phone. As soon as I heard the line click, I let out a huge scream inside my apartment. I quickly did the math in my head and realized that after paying off the salon's existing debt, taxes on the sale and splitting the remaining proceeds with John that I would be left with about \$15,000 in cash to pay down my mounting expenses and debt. I then collapsed on the floor, clasped my hands together and whispered, "Let this happen, please."

We inked the deal over the next week, and all we had to do was wait on the bank to underwrite the loan based on the salon's financials. I was not concerned with underwriting but did take the time to explain to them why there was a dip in reported income toward the end of the spring semester because of Julia's theft.

With the deal under contract and the buyer's sturdy financial standing, I was optimistic I would avoid bankruptcy. Some of the bills were thirty days late, so I took out a personal loan for \$5,000 to pay back the bills that needed to be paid immediately to avoid default. This gave me vital breathing room. Given that the bank was very confident that the salon sale would proceed, I was confident I would immediately be able to pay back the personal loan, and I did. I had gone to the edge of bankruptcy, but through some miracle timing was able to pull myself back from that edge.

It was during this time that I was told by a real estate colleague about a job opening as a Sales Manager for a production home builder in the area.

"I was approached about the position, but it requires you to work every weekend, and I don't want to give up the freedom of having my own schedule," she said as she explained what the job entailed. "But basically, you'd sit at their model home and sell new homes using the model as your office and showcase."

"That sounds enticing to me," I replied. And it did. Although the prospect of working every weekend sounded terrible, I was desperate for a steadier flow of income, and I knew I could make more money at this position than as a regular real estate broker.

When approached about the Sales Manager position, I had just recently closed a deal that had taken me three months of time consuming work. It started after I received a call one day from an executrix of an estate who needed to unload a house after both owners had passed away. I took the listing sight unseen because, at this point, I was desperate for any type of business that would lead to a paycheck. I met the executrix at the home for a tour, only to find it to be in deplorable condition. We started on the main floor of the home, which was in horrible shape, only to head upstairs to find it chocked full of roaches and bugs.

"There sure are a ton of bugs in this house," I remarked.

"Well, we have to head down to the lower floor and you'll see why. They have a tenant renting out the floor, and he's disabled."

"Oh?"

"He doesn't leave the house," she frowned.

"Okay," I replied, following her down to the lower floor. A stench hit me in the face as she opened the door to the floor. I peered in to see trash piled to the ceiling with only a small canyon-like path to the kitchen on the far side of the room. The tenant was sitting in a chair surrounded by

trash, a heavy-set man in his 60s with an oxygen tank by his side.

“Hank, this is the real estate broker, I’m just showing him around,” said the executrix as we walked into the apartment.

“Okay,” he waved, not moving from his chair. I looked over to see a mattress sitting on top of a pile of trash. It was one of the saddest sights I’d ever seen. I couldn’t get out of the room fast enough. Hank needed someone’s help, but he was obviously not getting any.

We went down to the basement level to find another room that had been destroyed by a plumbing leak. The ceiling of the room was partially caved in, and the place was covered in mold, dirt, and spiderwebs. “There was a tenant in here, but he moved out after the pipe broke and the room flooded. The owners never bothered to fix up the place before they passed away.” We then stepped out into the driveway to discuss the listing process.

“The most I can probably get for this place is \$35,000, but it should really be condemned. I don’t see anyone fixing this up. The value is in the land,” I said.

“I’m aware it’s in terrible shape, so whatever you think you can get,” the executrix responded.

I was wrong about finding a buyer that wanted to fix the place up. A nice Chinese couple ended up coming along shortly after I listed the property for sale in the MLS. The complication was that they knew very little English, and I had to thoroughly explain every step in the process to ensure they knew what they were getting themselves into from a project standpoint. Nearly everything in the house was going to need to be replaced. I learned during the negotiation process that the executrix was representing a paranoid schizophrenic descendant to the estate out in California. This guy held the process up every step of the way, complaining that me, the executrix, and the buyers were trying to steal the property from him and give it to the United States government. I had to put in a massive amount of work just to keep the deal together and on track, navigating the language barrier with the buyers every step of the way.

We finally closed on the deal for \$30,000 after two months of jumping through hoops with the estate. After closing, I received my commission check for a little less than \$1,000 before taxes and real estate dues. After accounting for those expenses, I realized I had been put through a meat grinder to net about \$400. I did receive a letter from the executrix thanking me for all my patience and hard work, but it was little consolation given the amount of work I had to put in and the very small payoff I received. There was no way I was going to continue being an independent broker if this was the kind of deal making I was going to be involved in going forward. There had to be another way to make money in this business.

I quickly concluded that working as a Sales Manager for a production home builder was the path I needed to take. Plus, I knew as a Sales Manager that I'd no longer have to chase down deals and potential clients, as all potential buyers would come to me. All I had to do was sit in my model home and wait for the prospective new home buyers to walk through my door. After the excruciating experience I had just recently gone through with the \$30,000 sale, I loved the sound of that. I had also wasted so much time on people who never ended up buying anything or chasing potential listings that were awarded to someone else. I was tired of it and needed a new path.

But, a part of my entrepreneurial brain hated the idea of going to work for someone else in this capacity. It flew in the face of my entire mentality coming out of college. Yet, in the end, I had little choice. What I had been doing wasn't working. It had led me to the brink of bankruptcy. I needed the job and I had to go for it.

It was time to turn my negatives into positives. I had been through hell and back in the last three years as a broker and small business owner, and I was trying change directions and move forward in a positive direction.

In my interviews with the company, I made every attempt to convey to leadership that I was someone who had dealt with more adversity in life and business than any of the other candidates they were interviewing. This adversity had led me to work even harder than ever to get somewhere in life while also greatly appreciating every dollar earned. My boss to be, Carrie, admired my positive attitude during the interview process, despite all the negative things I had experienced over the previous three years in business.

I ended up being hired as the company's new Sales Manager right as the deal on the salon was getting ready to close in July of 2010. While I was still battling back bankruptcy and attempting to catch up on overdue balances, I felt that I had made it through the worst of it financially and now I had a new job with greater income potential. I had survived the floods, lawsuits, and numerous other mishaps. It was time to look forward at my new career path with a renewed sense of optimism.

Chapter 24: Lawsuit Follies

I soon found out that having Mondays and Tuesdays off flat out sucked. There was no other way to describe it. While I was at work on Saturday and Sunday, everyone else was out enjoying the weekend. When I was off on Monday and Tuesday, everyone else was at work. During my time as a Sales Manager, I missed more gatherings with friends and family than I could count.

But, I was damn good at selling new construction housing. I learned my company's construction process quickly and memorized the company's contract paperwork to quickly engage customers in the buying process. After working there only a couple of months, I ended up selling six new homes in one week, prompting a call of congratulations from the CEO of the company. I had a renewed sense of purpose, and I was incredibly grateful for the opportunity they had presented to me.

Business Mistake: Failing to Follow-Up or Maintain Relationships

As a Sales Manager, I interacted with many new homebuyers daily. I would get their contact info while showing them homes, and then I would follow up with them to see where they were in the buying process and to let them know they could reach out with any questions. After the sale, I'd follow-up to ensure that they were happy with the service I provided and to let them know I was available if they had any concerns about their new home. My clients greatly appreciated the continued contact from contract to post-closing and it helped me build a solid relationship with all my clients.

Failure to follow-up is one the biggest mistakes you can make in the world of business—especially in the sales industry. Contacts are turned into relationships through follow-up. Relationships are solidified through continued follow-up. Establishing a solid rapport with someone can help you gain a sale, curry a favor, or expand a network. I've also made many friends outside of business through these relationships, so it's beneficial in more ways than one to build relationships wherever possible. However, relationships work both ways, and those who are self-serving won't be able to maintain strong relationships. Nobody wants to interact with someone who is solely out for themselves.

The sale of the salon closed in late July without any issues. Using my share of the proceeds, I

paid down further the mountain of debt I had accrued, allowing me to further climb out of the financial hole I had dug for myself. At this point, the only thing left to worry about financially was the Martinsville pizzeria. Ben was under-employed during this time and had the ability to work the pizzeria during the day, allowing me to oversee things at night. The lawsuit with Steve was still ongoing, and business over the summer was slow, so I took some of the proceeds from the salon sale and put them into the pizza business to keep it afloat until the students came back from summer break. I was still hopeful that I could sell the pizzeria once the lawsuit was over, closing the book on my first foray into entrepreneurship.

The lawsuit itself proved to be a clown show. Steve's father and brother pulled out all the stops to make it look as legitimate as possible. They hired a stenographer and videographer to document our depositions, and during the discovery process requested information that we couldn't possibly produce.

"I've been practicing law a long time, and I don't think I've ever seen anything like this," my attorney, Brian, stated to me during a day of depositions. "The fact that they've brought in a stenographer and videographer for a case of this magnitude is astounding. I usually only see this on million-dollar cases involving corporations, not for a \$50,000 lawsuit that the plaintiff can't win."

"They're just trying to save face with the brother-in-law," I responded. Steve's family deposed Will, Jared, Ben, and me for a full day of questioning, in which they found no evidence of collusion or conspiracy—because there was none. The whole time, all I could think about was how much it was costing Ben and I in attorney fees. Any petty money we were making at the pizzeria was being set aside for the legal bill to come at the end of the proceedings.

It wasn't long after we finished our depositions that our attorneys filed for a summary judgment and dismissal of the lawsuit. I never saw Steve during the proceedings, as he had already moved out of town to another state, leaving his family to do his dirty work and clean up after his mess. It was a total cop-out on his part.

I could sense toward the end of the case that his father and brother knew that everything they were doing was pointless and a waste of everyone's time. It wasn't long after our depositions that summary judgment was granted, and we were free from the case. As expected, the case took its toll on Ben and I financially, to the tune of several thousands of dollars.

To better weather the financial storm, I begrudgingly made the decision to move back in with my parents. In fact, they urged me to make the move to ease the financial stress. So, with five months remaining on my apartment lease, I executed a sublease and moved back in with them. Being in my late 20s and living at home was beyond humbling. When I had purchased the salon many

years ago, I envisioned a future of moderate wealth and freedom. Never did I envision that I would be broke and living with my parents less than five years later.

All my paychecks from my job as a Sales Manager went to debt. In my first year at the company, I put more than \$60,000 of my net income toward debt I had accrued from my failed stab at entrepreneurship. I bypassed friend's weddings, bachelor parties, and other fun trips to save money to put toward the debt. It was embarrassing and depressing when asked why I couldn't attend these functions.

It was also during this time that Ben and I fell behind a few times on monthly rental payments to our landlords, who were becoming more disenchanted with us as time went on. Our landlords, an older couple who relied on the rent payments as their main source of income, did not have much sympathy for me and Ben's plight at the pizzeria.

"I'm sorry, but this lawsuit wasn't and isn't our problem," the wife told us one day during a visit to their house to discuss the status of the business after putting Steve's lawsuit in the rearview mirror.

"I hope you understand, we're doing everything we can to pay on time. It has just been tough with everything going on," Ben responded.

The husband chimed in, "We understand that, but we need to be paid, too, and we can't afford to have you guys be late on rent."

"We understand," I said. "Well, the lawsuit is over now, and we will be able to catch back up with Ben down there working every day. Which leads us to the next topic of discussion. Our lease expires in July and we'd like to start discussions on renewing the lease."

At this point, Ben and I had no intention of continuing to run the pizzeria. I now made a good income from my Sales Manager job, and Ben had long ago checked out mentally. But, we needed a new lease to properly market the pizzeria for sale now that the lawsuit monkey was off our back. I felt that if we could at least recover most of our investment after everything that had happened, I'd mark it down as a financial win.

"I don't know. We haven't discussed that yet," the wife replied. "You need to catch up and stay current for a while before we can make a decision."

"I understand, and we will do that. But, the lease is up in eight months, so we hope you'll give us an answer rather soon."

"We absolutely will."

I stepped outside with Ben after our meeting and shook my head.

“They’re going to boot us.”

“What do you mean?”

“They won’t commit to renewing our lease. So, there is no way we can sell the place. Plus, I bet they’re fishing for a new tenant. We need to get a concrete answer from them as soon as possible, but I’m telling you, they’re going to boot us.”

“So, we can’t sell the business?” Ben asked.

“I mean, we could, but we would have to put in the sales agreement that the sale is contingent upon the buyer being able to execute a new lease. Because if they won’t, there is no way we can sell it.”

“What happens then?”

“We’re done. We’d have to vacate the building to make way for a new tenant when our lease expires.”

“They can do that?”

“Yeah, renewal is at their discretion.”

Although we only had eight months left on our lease agreement, our business loan still had 24 months remaining. It was only then did I begin to wonder why the bank gave us a loan term that outlasted our remaining lease term. I guess I wasn’t the only one who didn’t think things all the way through sometimes.

Chapter 25: A Bad Car Salesman

I worked hard at my Sales Manager position, gathering numerous sales awards in the process. At the end of my full calendar year with the company, I had sold more than \$8M of real estate inventory with the company and finished second in the entire area among real estate brokers in sales volume for that year. I had come a long way from selling \$30,000 houses. I often went weeks without a day off, coming in during off days to execute contracts or to expedite deals in the pipeline, but I was grateful to be in the position where I was needed and appreciated.

I had stopped working down at the pizzeria altogether to fully concentrate on my job, and weekend sales dropped as a result. At this point, my only hope was that our landlords would allow us to extend the lease so that we could get it sold to someone else. Ben and I went ahead and listed the pizzeria for sale over the winter months, hoping that the advertising would bring in a qualified buyer.

Then, my biggest nightmare about working for someone else came true when I received a call from my boss, Carrie, on a Saturday before a friend's wedding in late November 2011. She was gathering the Sales Managers together that Saturday afternoon to discuss the upcoming calendar year. I had already scheduled the day off weeks ago for the wedding and told her I could not attend. Her tone over the phone indicated that she had clearly forgotten this.

"Where are you?" she demanded.

"Carrie, I told you I had a wedding today, remember?"

"You should be at this meeting."

"I'm sorry, I told you I'm getting ready to go to this wedding."

"Well, we are all here and you're the only one who couldn't make it. I'll let you know now then, Mitch is taking over your community and I'm moving you to the Cedar Point community at the beginning of next month."

I was completely floored. My heart sunk down into my stomach as I listened to what she was telling me. First, Mitch had just been hired as a Sales Manager, only after failing the real estate

exam seven times. He was a boozier and a smoker, who I believe was only hired because Carrie used to be married to his older brother. To me, it was a clear example of nepotism. Second, Cedar Point was one of the company's lower performing communities in a less desirable part of town. Our company had previously been embroiled in a lawsuit with the developer but was ready to move on from it and build in the development once more.

I wanted nothing to do with this move. I had sold forty-five homes in my community in the last twelve months. There were still nearly fifty lots left, and I had intended to see it through to full build out. But, now I was being yanked off it in favor of someone who couldn't pass the exam nor show up to work on time. I was devastated at the news. Not to mention, she told me over the phone with the other Sales Managers present. It was a low-class move and an embarrassment.

I hung up with Carrie and could feel myself filling up with anxiety and sadness. I felt a profound sense of betrayal. I had worked my ass off from the second I had joined the company and the reward for my efforts was a move to a poorly performing community. *This is exactly why you didn't want to work for someone else*, I thought, sitting in my car with tears forming in the corners of my eyes.

I ended up making the switch to the Cedar Point community to see how busy I'd be, and things started off exactly as I expected. There was no foot traffic and no phone calls. I sat in my model home all day, e-mailing realtors and following up on cold leads. It was a miserable change of pace, and I resented Carrie and Mitch with each passing day. I knew my time with the company was coming to an end. There was no way I was going to get over this decision, which took money directly out of my pocket and put it in the hands of someone I found to be much less qualified.

"I'm putting in my two weeks," I told Carrie over the phone, a few days into January of 2012.

"Why?"

"Quite frankly, it's time for me to go. I don't feel good about the prospects at Cedar Point, and I want to see what else is out there."

"I understand. Just know that we moved you because we felt we needed our best salesperson at our most challenging community."

"I understand," I responded in an attempt to be cordial. "I just wish I would have at least had a say in it or some advance notice."

And that was that. With no job, I had the freedom to go wherever I wanted. I called my sister, who was living in a larger city called Charlestown at the time. Charlestown was about six hours

from Martinsville and I asked her if I could move in with her while I looked for work in the area.

I was at a point in my life where I simply had no idea what to do next. I was riding an emotional rollercoaster, having gone from near bankruptcy, to a great paying job back to nothing within eighteen months. To this day, I'm grateful for the opportunity I was given by Carrie, because the job allowed me to beat back bankruptcy and pay off nearly \$100,000 in debt that I had racked up trying to make my entrepreneurial career a success. But, I was bitter. Bitter at my failures. Bitter at Steve. At Carrie. At my business partners. At Martinsville. At life in general. I was willing to try anything at this point to move on from it all.

My sister's husband at the time was a Sales Manager for a car dealership in Charlestown. As I was lamenting my current situation, he offered a proposition.

"Why don't you come sell cars with me. I'll show you the ropes and we can make a ton of money together."

"Sure, why not," I said. "I mean, how hard can it be? I'm used to selling homes. Cars can't be any harder, can it?"

I quickly packed up everything I had in my car and moved to Charlestown to join my brother-in-law, hopeful at my new prospects. However, once I got down there, the situation changed.

"My boss says you can't come work with me. He said its nepotism."

I chuckled at the irony. "So, now what do I do?"

"I set you up at a dealership down the road. I got a friend that works there. He'll take care of you."

It was then that I embarked on some of the most difficult moments of my professional life, beginning with my time at the dealership. This dealership was a nightmare. The dealership was full of men, many with criminal backgrounds, and they had no qualms about ripping people off. They lived for it. During my first day of work, while I was taking my online training course, the top salesman burst into the back office with a big smile on his face.

"Oh man, I just ripped this guy's head off man," he exclaimed with excitement. "I probably took him for an extra two thousand dollars. Guy had no clue. What an idiot!" He raised his hands and high fived another one of the salesmen. I'd learn later that our "top salesman" had just spent seven years in prison for various felonies. Not the guy I'd want selling a car to me.

Once my training was over, I got to stand on the floor and approach prospective buyers. I was still optimistic about my ability to sell cars. *Really, how hard can it be?* I continually told myself. I

ended up being very wrong in that assumption. I stumbled over my words and had trouble remembering the small differences in the product line. I had zero confidence in what I was doing. After a few weeks, I had yet to close my first customer.

While on the dealership floor, the salesmen were supposed to take turns in rotation greeting new customers as they walked through the door. But when it came to my turn, one of the other salesmen jumped in front of me as I approached the customer. When I tried to protest, an argument broke out on the floor among the salesmen, and a few immediately came to my defense. The one who had jumped in front of me was notorious for crossing fellow employees. This guy also had a criminal record, and was not ashamed about it, oftentimes referring to it in braggadocious manner.

After things calmed down, I retreated to my cubical and put my face in my hands. *I've made a huge mistake*, I thought. At least at my old job I would have still been making a little bit of money. Two weeks into car sales and I hadn't sold a single car and was arguing with ex-cons on the sales floor in front of customers.

As I was lamenting my current state, the dealership manager came to my desk with a couple of sheets of paper in his hand and set them down on my desk.

"Here's a list of potential prospects you can call. I want you to make 100 calls by the end of your shift this evening. These customers have been in for service at the service department and could benefit from a new vehicle at a lower payment."

I looked at the list and scrunched up my nose and pointed to a name on the list, "It says here that this woman just came in for her first service last week. She's not going to be interested."

My manager glanced at where I had my finger pointed on the list. "Yes, but her payment is \$600 a month on a Passage."

"Who would sign up for a \$600 a month payment on a mid-sized sedan? That's just insane."

"Yes, so you can work the angle here and tell her you can get her into something for less."

The whole thing stunk, and the tactics were dirty. Nonetheless, I wanted to keep my job, so I picked up the phone and tried to cherry pick the best prospects from the list to get the ball rolling. I pulled up the cold call script given to me by the dealership and rehearsed the first couple of lines so that I didn't sound like a bumbling fool over the phone. Still, I knew converting these calls into sales was going to be an extremely difficult task. I found out just how difficult within the first five minutes. The first call didn't go well. As I started into my intro, I was cut off by the woman on the other end of the line.

“Dammit, I’m so sick and tired of you guys calling me! You’re the fourth person to call me this week. I just bought a car off you guys and you’re already calling me saying you have a better deal. Why didn’t you give me the better deal to begin with? It is the absolute last time I’m ever buying anything from your dealership. I’m going to start taking my car somewhere else for service. This is ridiculous.”

Click.

I sat there, nonplussed for a moment, as the line went dead. I slowly put the phone down into the cradle. I don’t think I’d ever been screamed at like that over the phone in my entire life. I then went from nonplussed to emotionally shook. It took me a good five minutes to pick up the phone and make the second call. The second call wasn’t much better.

“I don’t need a new car. You guys call me all the time and I tell all of you the same thing but you all keep calling. I mean its 6:00 p.m. right now on a Saturday. Why would you call right now? I mean, come on.”

“I’m sorry, sir. I didn’t mean to disrupt your evening.”

“Well, you did. Please, take my number off this call list and stop calling me.”

“I’ll do that right now.”

“Thanks,” he said before hanging up.

I spent the next couple hours either getting rejected by customers or receiving voicemail and disconnection messages. I pushed the list aside and rubbed my eyes. “This is trash,” I whispered to myself.

I went home that evening, and I could barely sleep. I lay in bed staring at the ceiling and thought of the situation I now found myself in, and the feeling of self-doubt and hopelessness hit me like an emotional freight train. I never felt so uncertain about the future in my entire life. Anxiety burned in my chest before spreading to my extremities. Panic set in as I propped myself up and flung myself out of bed. I proceeded to spend the night pacing my bedroom, as my brain battled it out with itself. *You’ve done it now. You have no future. You made a huge mistake. You’ll make it work. You can always leave. Something else will come along. Try to stay positive. No, you are done. You’re down here and stuck, mooching off your sister and your parents. Look at all your failures! It made me a better person. I learned so much. What do you have to show for it?* It was six hours of continuous back and forth banter as I paced, dealing with my first full panic attack. As the sun crept up over the horizon, I knew that sleep wasn’t a possibility. I put on my slacks and dress shirt and got ready for the day. It was a grueling twelve-hour shift, with coffee and cigarettes the only thing to get me

through, and I wasn't even a smoker. This job was already killing me physically and mentally. The next couple of days were full of anxiety, and I used alcohol to soften the anguish. I felt horrible.

On my very next day off, I visited a doctor and got a prescription for Xanax. I had never needed anti-anxiety medicine before, but there was no way I could go through another sleepless night of crippling anxiety. The medicine would end up being the only thing to help get me through the next couple of months.

A week after my panic attack, I greeted a middle-aged couple on the showroom floor. They were looking at a large model SUV with great interest. They wanted one of those soccer mom-type of vehicles, so they could tote six kids around in it. I was three weeks into the position, and I had yet to make my first sale, but this couple looked promising. After a few minutes of conversation about the vehicle, I had them fill out a finance application and took it back to my finance manager. He dabbled on his computer for a bit, running the couple's credit and financial history. I stood there waiting patiently, hoping the couple would come back approved, but then I saw my manager's eyebrows raise in surprise.

"Uh-oh," he mumbled.

"What? They don't qualify, do they?"

"Well, the husband has a credit score of 600, which is okay, but the wife has a credit score of 425."

"Ah, that is still workable, right?" I asked.

"They also have two repossessions on record. One is actively pending."

"That's that," I responded.

"Hold on."

"What?"

"I think I can push this one through."

"How?"

"Let me just see if I can get it to go through."

A couple more minutes passed before I saw a grin come across my manager's face.

"Got them approved."

"What? How?"

“I just pushed it on and it got approved. Lock them down,” he said as he handed back to me their application papers.

I headed back to my desk where the couple anxiously awaited the decision. I felt ill. There was absolutely no way these people should be out buying a new car, let alone one that cost more than \$45,000. I glanced down at their application papers to see that the payment on their new SUV would be around \$675 a month.

“You’re approved,” I said meekly. They started celebrating as we headed to the back of the lot, so they could pick out the exact color and model that they wanted. After spending another fifteen minutes on legal paperwork and another five minutes explaining the car’s features, I bid them good-bye as they drove off in their new car.

You’re making a terrible financial decision, I thought as I waved goodbye to them. A couple of coworkers came up to me with a pair of scissors and cut my tie in half, signifying that I had made my first sale. I forced a smile as I pulled my tie off and chucked it into the trash. I walked out the back door of the dealership and to my car in the back of the parking lot. There was no way I could spend another second selling cars. I pulled out of the parking lot and drove to my sister’s house. I made my first—and last—car sale on the last day of my time in the car sales business. It was time to put an end to the terrible experiment.

Business Mistake: Surrounding Yourself with the Wrong People

You can tell a lot about a person by the company they keep. By who they work for and with whom they work. It didn’t take me long to figure out that I had surrounded myself with coworkers that had no problem resorting to shady and unethical tactics to make a sale. These were guys who reveled in trying to take people for as much money as possible. These were the types of characters that gave all car salesmen a bad name. It was not the type of way I could do business, and therefore I struggled mightily in that environment. I was miserable for the three weeks I was in the car business, and I felt completely out of my element. It was a terrible feeling, waking up every day and hating my job and place of work. It is no way to go through life.

It is important to take stock of the people with whom you decide to work or do business. I’ve encountered diverse types of characters during my business career. Some I’ve enjoyed working with. Others, obviously, I have had terrible experiences in dealing with.

What kind of person do you want to be? Find someone you look up to in business and learn everything you can from them. They don’t have to be someone you interact with or

know on a personal basis. Today's age of social media allows one to easily consume the teachings of any successful business professional. Most successful people are willing to help others achieve success. Find them. Absorb everything you can. Go out and surround yourself with people who are more successful than you. As the saying goes—if you're the most successful person in the room, you're in the wrong room.

And, believe it or not, it is possible to be tough and fair-minded at the same time in business. Not everything in business must be ruthless aggression. Some of the most successful people I know are some of the nicest people I've ever met. I've also encountered many jerks. Jerks, who often find themselves in business quarrels and lawsuits time and time again because they believe the only way to do business is their way.

Chapter 26: Back in the Home Selling Business

I sat in the darkness of my sister's townhome for the next couple of days after quitting the dealership, still at a total loss as to what to do next. My mind kept going back to Carrie and Mitch and their decision to move me out of the housing community where I had remarkable success in home sales. That move had set up the chain reaction that had led me to my current situation. Jobless and bumming off my sister. I was starting to regret quitting my Sales Manager position. My current state was much worse.

It was a frightening feeling, not knowing what to do with my life. My sister came home every day to see me sitting in a chair in the dark, from where I hadn't moved in hours. I was without direction or purpose, and any money I had set aside for living expenses was quickly dwindling to nothing.

After a week of feeling sorry for myself, I brought up my résumé on my computer. Just as I had parlayed my previous business experiences into my job as a Sales Manager, I knew I needed to use my stellar sales numbers at my previous position to get another job in the production new home business. After a few hours of résumé polishing, I printed out ten copies and put them in presentation binders and started driving around Charlestown looking for the home offices of builders in the area. I knew that the next opportunity wasn't going to fall into my lap, so I needed to be proactive.

Business Mistake: Not Being Proactive

Too many people, whether it's business or life in general, sit around and wait for things to happen before reacting to them. How many people will eat pizza every day for five years, have a heart attack and then say out loud, "I need to make changes"? It took a near death experience for this person to react! Personally, I've had deals fall apart because I wasn't proactive enough to ensure there would be no hiccups at the closing table. I let problems arise before dealing with them, and in the end lost the deal, simply because I was reactive instead of proactive.

In entrepreneurship, people are always waiting for the right time to take that significant risk. They wait for the perfect set of circumstances. These people hardly ever get off the

sideline and into the game, infinitely waiting for “the right time.”

When it comes to business, and life in general, the people I see getting the most from life are the ones who get up every morning and claim a stake for something better. They take the steps needed for a better lot in life. If they don't like their job, they're taking proactive steps to improve their job prospects so that they can move on to something better. If they own a business, they're constantly tweaking the system behind the scenes to improve it and stay ahead of the competition and increase profits.

Look at it this way, exercise is the number one thing that all successful people do every day. Why? It establishes a healthy routine that allows these people to take control of their day and of their health. It requires daily discipline to stay proactive. These people want to ensure they stay in control of their life, and the first step is by taking care of their bodies.

Successful people take the future in their own hands, knowing that nobody else is going to do *it for them*. ***Proactive people lead less stressful, more successful lives. Be proactive, not reactive.***

The second day during my drive around Charlestown, I walked into the head office of a production homebuilder, where I was greeted by the office secretary.

“Hello, I was looking to speak with someone about a possible sales position?”

“Did you have an appointment?” the secretary asked.

“I don't. To be honest, I'm just driving around to different offices dropping off my résumé, trying to get my name out there.”

“Oh, really?”

“Yes.”

“Let me see if the VP of sales is here. I think he is. He may want to talk to you.”

Soon after, a middle-aged man with cropped red hair turned the corner with his hand out. “My name is Brent, I'd like to chat if you have a moment?”

“Sure,” as I shook his hand and then followed him to a back office where we sat down at a large conference table.

“I like people who take initiative. Let me take a second to look over your résumé,” he said as he started thumbing through my résumé. A few minutes passed before he started peppering me with the usual interview questions, which I handled with ease.

“You know, I’m just impressed that you took it upon yourself to seek out a position, and I’d like to reward your efforts. I see you had very strong sales numbers at your last position. Come in on Monday and we’ll have you meet with HR and get all your new hire paperwork drawn up.”

And just like that, I was back in the workforce. Little did I know; however, that it would end up being a colossal waste of three months.

The company was very well known in Charlestown with multiple single-family and townhome communities in the metro area. I had to spend a mandatory three weeks in training before they would assign me to one of their communities. During this time, I bounced from community to community learning the product and the sales system from my new coworkers. I quickly found out which communities and coworkers were performers and which ones were lagging. During a visit to one of the company’s weaker townhome communities, I learned from the Sales Manager there that they hadn’t sold a home in the community two months. Nearby properties were offering similar townhomes for less. I knew I didn’t want to be placed in that community, where I could be left to wallow in misery and boredom.

The three weeks of training quickly turned into a month, and then two months, and then three months. I continued to bounce from community to community, filling in for employees on their days off. It didn’t take long for me to realize that I had been hired without any real plan for what to do with me. So, for three months I continued to spend my time bouncing around from community to community all over the Charlestown area, filling in for my coworkers. It could easily have been a microcosm for my life during the time—just bouncing around with no real home or future. I was also putting an extensive amount of wear and tear on my vehicle with no mileage reimbursement.

One Saturday while I was filling in at a community, the community’s Sales Manager came in unexpectedly. She had called the day off, so I was surprised to see her. She was an older woman who had been in the industry for years, not afraid to let her opinion be known to the higher ups about a business practice or a troublesome client.

“Hey, Ryan,” she said as she came through the front door.

“Hello, what brings you in on a Saturday? It is supposed to be your day off!”

“Oh, Ryan, you have no idea how many days I’ve had to come in during my day off to take care of something. I don’t even know why I try to take a weekend off. Something always comes up.”

“Yeah, I had that problem, too, at the last homebuilder I worked for.”

Then, she unexpectedly got candid. “Listen, you don’t want to do this job forever. I’ve been in it so long that I can’t get out, but at your age you should be exploring different opportunities. If I could go back, I would have gotten into something else years ago. The job can pay well, but I’ve missed so many family gatherings and times with friends, it’s not worth it.”

“Really?”

“Just some friendly advice from an old lady with too many years in the business. I like you, Ryan, so I feel like I can give it to you straight. Once you start down this path, it’s very hard to switch careers into something else.”

She turned to her desk, gathered some papers and made a few calls before heading back out the door, leaving me alone in the model home. I stared forward blankly, the setting sun beaming through the windows. *Oh boy*, I thought.

Chapter 27: Pizza Business Ends and New Opportunities

I was sitting at the model home one day in June of 2012, full of boredom, when my phone rang. It was Ben.

“I just talked to our landlords. They aren’t renewing our lease. They told me they had someone else in mind. I grilled them for a few minutes and they told me who it was.”

“And? Who is it?”

“Dairy Queen.”

“Oh,” I meekly whispered.

“Yeah. There is no way we can compete with a national brand.”

“So, that’s it, we’re done,” I stated without any real emotion.

“Yup.”

“Call my brother. Arrange to have him bring a truck down and pull out all the equipment. I’m going to try and salvage as much as possible, but I doubt we’ll get much for it.”

A few days later, my brother met Ben down at the pizzeria and together they moved all the equipment out of the pizzeria and took it up to my dad’s warehouse to store it away. I slowly liquidated the equipment over the next couple of months through eBay and public postings until the ovens were the only thing remaining. After months of trying to unload the ovens, I had them taken to the local dump.

I netted about \$500 from liquidation of the equipment. Pennies on the dollar compared to what we had invested in the place. But just like that, my days in the pizza business were unceremoniously over.

A few more days passed before I received a call from a friend out of the blue about a new business opportunity. His name was Tim, and I knew him well, as he used to own a sports bar in my

hometown that I visited often. He had since sold his share in that bar, but was looking at getting back into the business, and he needed someone he could trust to help make it happen.

“A guy I know in Walton is looking to sell his bar. It is apparently in a pretty good location in downtown. Would you have interest?”

“I don’t see why not, I’m always for keeping my options open,” I replied, not trying to sound like I had nothing else going on. “You want me to go check it out? It is about three hours from where I live.”

“Yeah, go check it out. I figured if it’s a good bet, I’ll buy it and you can run it for me and we can split the profits 50/50.”

It sounded like a good plan to me. I was spending most of my days sitting inside some model home for eight hours straight, playing games on my laptop, and phoning friends and family to vent about my current lot in life. I was open-minded to just about anything at this point.

On my next day off, I made the three-hour drive to Walton to check out the bar. I drove the area for an hour, trying to get a feel for the bar’s location. It seemed like it was cut off from the rest of the bars and restaurants in the downtown area. I wasn’t getting a good vibe about the place, and that was before pulling into the bar’s parking lot. What I found was a small, dirty and decrepit place that stunk of puke. I met with the owner, a middle-aged guy with light brown hair and tanned skin named Jake, who went into his sales pitch. I let him talk, knowing that this bar wasn’t the kind of place I envisioned myself operating.

I immediately grew suspicious of Jake as he continued to talk. He spoke of the place as if it was this incredible business opportunity. He was trying to take me for an idiot. I noticed a colossal amount of deferred maintenance within the first couple of minutes of my visit. The felt on the pool table was ripped and tattered, multiple chairs were broken, numerous beer taps had cups over them indicating they didn’t work. There was a thick layer of dust on the overhead fans and light fixtures. The walls were a forest green color, making the place feel even darker and less inviting. It looked to me that Jake spent too much time in his bar and not enough time running his bar. I shook his hand and quickly left before phoning Tim.

“How the hell do you know this guy?” I said to Tim when he answered.

“Why, what’s wrong?” Tim said.

“He’s just full of it, that’s all. His bar is a wreck. The place is trashed, and it looks like he has never cleaned it, ever. He should be giving us this bar for free to operate.”

“So, do you think we should pass on this?”

“I know we should pass. I mean, I want to get involved, but that place isn’t it. I can’t quit my job to run that dump. We’ll never make any money.”

“Okay, I’ll tell Jake we are going to pass.”

“That’s the smart thing to do.”

A couple of days later I received another call from Tim.

“So, Jake let me know about this place down the street that is for sale. It is a restaurant called Trident. Apparently, they’re way behind on their taxes, and are looking to unload quickly. Jake said it is in a better location closer to the center of the downtown nightlife and is in a big space. Maybe you should check this place out?”

“It can’t hurt. I like the downtown area. It reminds me of downtown Martinsville, only a little bit bigger. The place sounds promising.”

On my next day off, I drove back over to Walton to check out Trident. This time I took my sister to get her opinion on the space and location. Trident was listed for sale by a commercial broker, who I met outside of the restaurant for the first time. He unlocked the door and took us inside the main floor of the restaurant. The space was a bit narrow, with tables aligning the wall on the left and a long main bar running down the wall on the right. The kitchen was straight back with an order window, with bathrooms in the back as well. A stairwell led up to a small platform over the kitchen, which served as a dance floor. However, there was another flight of stairs from the platform to a third level. We made our way up the stairs to the third floor, which was significantly larger than the small dance area on the second floor. One side of the floor currently served as a banquet area, while the other side was a VIP area with a separate entrance and exit. Everything was a black or a dark red, blue, or purple. The entire restaurant was in very good shape, with little signs of wear and tear. It was clear current ownership had put a good amount of capital into the build-out—probably too much since they were behind on tax payments. My sister was equally impressed, and my excitement grew as I checked out every inch of the space before returning to the broker who had remained on the first floor.

“This place is great. Are they typically very busy? Do they get a lot of foot traffic?”

“Yes. They have remained busy since they opened two years ago. That hasn’t been the problem. They spent too much capital in the build-out and then one of the owners was sentenced to prison for an offense unrelated to the restaurant operations. They just have poor management in place. A relative with no restaurant experience has come in and is trying to run it for one of the owners, but the

main owner in prison wants to just get rid of it and pay off any remaining debt.”

“It sounds like a convoluted operation. So, let me get this straight. There are two owners. One went to prison and the other has a family member with no business experience in here trying to run the place?”

“Yes,” the broker replied.

“Well, we would be changing the name and the concept and hopefully brush off any stigma that may be over this place. What price do you think gets a deal done?”

“At this point, I’d say \$75,000 might do it. They need to cash out before the state shuts them down for nonpayment. Then they’d get nothing. Keep in mind, they put in a new light and sound system when they opened that was every bit of \$100,000. Add that with all the restaurant and bar equipment, not to mention the liquor license, and I think you guys would be getting in at a damn good price.”

“Let me give my guy a call. I’ll be in touch shortly.”

We parted ways and I called Tim with excitement. “Tim, this place is a thousand times more promising than Jake’s bar. Everything is in working order and its three levels and there’s plenty of space to work with.”

My mind churned as I talked, and a fun concept started to take shape as I explained the dance floor and banquet areas to Tim.

“So, I’m thinking we should make it into maybe a beached themed bar. Something that emulates the atmosphere of a boardwalk, and maybe add some arcade games and foods that you find on a boardwalk. We could use décor that ties into that theme. What do you think? I mean, we are only ten minutes from the beach.”

“I like it,” Tim replied. “Why don’t you take some time and walk down the main streets of Walton to see if anyone else is doing something similar? Maybe Google a few places as well?”

“Absolutely,” I said as I hung up. My sister and I walked up and down the streets of downtown Walton, not seeing anything that resembled a boardwalk themed bar.

“I think it is a great idea,” my sister said as we climbed back into my car to head back to Charlestown. I did as well, and I was ready to do the deal with Tim for Trident. I was getting into the bar business. I felt a renewed sense of purpose and hope for the future.

Chapter 28: Bar Dealings

The owners of Trident wanted \$100,000, but we didn't budge from our \$75,000 offer. We knew we had the leverage in the negotiations and it was only a couple of days before the owners accepted our offer. We had our broker execute the deal, which gave us a sixty-day window to close. We needed the time to craft our concept and put together a food and drink menu. I was amped. It wasn't but a few days ago I was wallowing at my sales position with no direction. I felt reinvigorated.

Once the contract was inked, I drove to the head office of my employer and walked into the vice president's office, keys in hand.

"What brings you in, Ryan?" the vice president said, acknowledging my presence. His secretary was seated in the room, clearly surprised to see me.

"I'm turning in my keys. I've decided to pursue other opportunities."

"I'm sorry to hear that," the vice president said, sounding genuine.

"Why are you unhappy?" his secretary chimed in.

"It's just, I was told when I was hired that I would be in training for three weeks. Well I've been with the company for three months and I'm still filling in for other people and I don't have my own community. I just feel like I'm being used to fill in when people go on vacation."

"You know what? You're right. We totally screwed up with you," the vice president said in response. I was shocked at his candor.

"Really?"

"Yes, we should have had you in a community a long time ago. That is my fault. We had a few communities we thought would be opening, but it just hasn't happened yet. Is there any way we can get you to stay? You're not going to a competitor, are you? You'd be much better staying with us. We will get you in a community."

"No, I'm heading in a different direction. I'm not going to a competitor. If I may ask, what community were you considering for me?"

“Well, was there any particular community you had your eye on?”

“Not really. There were a few that I was hoping I wouldn’t get, though. I know there are a few that aren’t performing well.”

“We were thinking about putting you in Falcon Crest.”

“Yeah, that was the one I really didn’t want. Thank you for the opportunity.” With that, I turned around and headed out into the midday sun. *They were going to put me in the poorest performing community in their entire portfolio.* My time in Charlestown had been a complete waste of time up until this point. I was ready to move on to Walton.

I took one more visit to Walton to pick out an apartment close to the bar. I wanted to be within walking distance in case I was needed by the staff during my off hours. I found a nice loft-style apartment a couple of blocks away that was completely furnished, which eliminated the need to pack furniture.

“How is it with street noise?” I asked the woman showing me the unit.

“You do get some noise during the day, and there is a rooftop bar on this building, but the noise doesn’t travel into this unit.”

“Wait, a rooftop bar?” I remarked. “Yes, but we have multiple residents who say they never hear a thing. The bar usually shuts down around 10:00 p.m. so it shouldn’t give you too much trouble.”

“Okay, because when I’m not at my bar, the last thing I want to do is be kept up by some other bar or a bunch of drunks. I need my sleep,” I said with a laugh.

“You’ll be perfectly fine,” she said as she slid the leasing papers to me, and after a few moments perusing the documents, I signed it. I was officially moving to Walton.

I packed up and moved back to Martinsville for a couple of weeks, spending the down time trying new recipes and researching the ins and outs of the bar business. Tim and I took a day drive to pick up a truck full of old boardwalk planks on sale at a junk shop. We wanted to bring a lot of authentic décor to the inside of the bar.

Our plan for the first floor of the bar was to keep it relatively the same. It would be where people came to eat and hang out. We wanted people who came to stay longer, so we knew we needed more televisions, as Trident’s current setup only had one flat screen behind the bar.

The second-floor dance area would remain roughly the same. It wasn’t very large, and there wasn’t any room for expansion without constructing a platform out over the kitchen, which would

be too cost intensive. The DJ booth was located on the second floor along with all the wiring for the light and sound. Moving it would also create a logistical nightmare from a hardware perspective.

The third-floor banquet area presented us the opportunity to add pool tables, arcade games, and dart boards. This would be the arcade area of the bar, further tying in to the boardwalk theme. The other side of the third floor, which contained the VIP area, would be opened to all customers as an additional lounge area.

The menu was going to feature all the standard American fare one would find on the boardwalk: large hot dogs, hamburgers, chicken fingers as entrées and funnel cakes and ice cream for dessert. We intended to put a bit of additional flair into the recipes to differentiate ourselves from the competition.

The creative process was an enormous amount of fun. I spent all my time thinking of ways to really push the concept forward and ensure the place would be a success. I used my parents' kitchen to test food and drink recipes during that couple of weeks I was home. I was all in.

Tim was all in, too, ordering a bunch of décor off the Internet and researching pool tables and other arcade games. As things came together, we gave our broker a call and told him we were ready to move toward closing, assuming we were free of any liens that were possibly attached to the current owners. Once we had assurance from our broker and his attorney, I decided to go ahead and move down to Walton and get situated. It was now late July, and we wanted to get converted and opened before the tourist season ended.

I packed everything I needed into my sedan and started the long drive to Walton. I arrived in abundant sunshine and a main street crowded with tourists and locals. I felt the sun hit my face as I climbed out of my car in front of my apartment building. Down the street, NBC was filming scenes for a new show they were airing in the fall. I felt like things were falling into place. Yet, my history should have been adequate warning that the ground was about to fall out from underneath my feet.

"They've decided not to sell." The words from my broker hit me like a freight train through the phone. "The relative of the one owner feels she can run the place, delay the closing, and pay off the tax debt."

"B-b-but that's never going to happen!" I stammered. "Don't they owe several thousand dollars? It's not like the government is just going to sit back and wait?"

"I agree, but that's just what they told me. The woman in there running the place thinks she can get things back on track."

“This is a disaster. I’ve already signed a lease and moved down here and everything. They’re totally screwing us by backing out of the deal now. Why didn’t they make this decision weeks ago? Damn this.”

“I feel your frustration,” my broker said.

“So, there is nothing we can do? The deal is totally off?”

“You never know with these things, but I’d say it’s totally off.”

“Christ,” I said.

My heart racing with anxiety, I hung up and called Tim. “Our broker just called me and said Trident is backing out of the deal.”

“What?” Tim said, perplexed on the other end of the line.

“Trident is breaking the deal off. That relative has convinced them that she can run the place and get them out of debt!”

“That doesn’t make any sense. The government is going to seize their property if they don’t pay. I doubt they have enough time to get it on track.”

“Either way, the deal is down the drain. Once the government seizes the place, we have zero shot at getting it. Now what the hell am I supposed to do? I’m down here in this apartment with a twelve-month lease and now we don’t have a deal.”

“Let me talk to Jake, maybe he will have an idea.”

“Man, let me know as soon as possible,” I said before collapsing into a chair. I looked up at the ceiling, and it felt like the apartment walls were closing in on me. My breath got quick as I could feel the anxiety rush through my body. I got up and popped a Xanax. I sat back down and closed my eyes, waiting for the drugs to take effect.

I received a call the next morning from Tim. “Jake said there is an empty commercial space down the street that is actually an even better location than Trident. I guess a nightclub used to be in there and they got shut down by the city a couple of months ago for hosting unsolicited fights. Apparently, it’s a pretty big space that could definitely work for our boardwalk concept.”

“Okay, I’ll walk down the street and check it out,” I said before hanging up the phone and putting on my shoes. The two-story concrete block building was only a block away. The first-floor façade was mostly glass, which allowed me a good look inside. The space was massive. The building was mostly open space, with a second-floor loft in the back of the building that spanned above the

back third of the first-floor area. The ceiling was roughly twenty feet high, creating a cavernous feel and look. I knew almost immediately; this place wasn't going to work.

"This place is enormous, Tim," I said over the phone. "I don't have a good feeling about it. I think it is too big."

"Well, Jake set up a tour of the building tomorrow at 11:00 a.m. Meet him there and check it out. He thinks the space is perfect."

"I'm telling you it isn't."

"Call me after you guys finish the tour."

"Okay."

I walked back to my apartment and turned in for the rest of the evening. The anxiety in the pit of my gut told me I needed to listen to my conscience on this one. I flipped on the television to try and take my mind off yet another tough situation I had created.

As the evening turned to night, it started. A continuous vibration and thumping in my apartment, loud enough to rattle the window panes. It was bass coming from the rooftop bar. *So much for not hearing a thing*, I thought. 10:00 p.m. turned into 12:00 a.m., which turned into 2:00 a.m. The continual vibration from the bass never relented. I popped some more Xanax to suppress the anxiety from not being able to sleep. Only a few months ago I had never taken a controlled substance in my life for mental health, and now here I was taking pills like crazy to suppress the panic billowing in my stomach. I was mentally dying for a success, but each move I was making was putting me further away from that potential success.

The music and bass at the bar shut off around 3:00 a.m., which allowed me some sleep before I had to meet Jake the next morning at the building. I woke up the next morning, bleary eyed, exhausted, and full of anxiety. I got dressed and walked down the street to find Jake and the real estate broker discussing the building's façade as they stood outside on the sidewalk.

"Hey, what do you think?" Jake said as he shook my hand. "By the way, this is Mark, the broker for this building."

Mark was a middle-aged guy with a big gut, goatee, and freshly shaved head. I shook Mark's hand. "Seems pretty big from the outside, let's look inside," I said, angling toward the front door. Mark unlocked the door and we stepped into the foyer. There was dirt and trash everywhere, left over from the previous tenants. I moved from the foyer into the main area, which felt even more cavernous than it looked from the outside. The entire area was painted black, giving the impression

that we were in a large cave.

“Man, this is pretty big,” I told Jake.

“It is great, right? Plenty of room for what we want to do.”

I scrunched my face at the remark. *We?*

“The bar and bathrooms are in the back area here,” Mark said, pointing to the large bar along the back side of the wall. The bar was all that remained. The tap fixtures, shelving, and sinks had been ripped out by the previous tenants. The flooring tiles were cracked or missing. I walked back to the bathrooms and my nose was met with the smell of stale urine. The bathrooms hadn’t been cleaned since the place closed. *This place needs a ton of work.* We took the flight of stairs to the loft on the second level, which held a DJ booth and another bar. It was in slightly better shape.

“This area is great!” Jake said.

I could somewhat see what he meant. The building did have a lot of potential, but the capital improvements needed to bring it up to the standard I had envisioned in my head and the capital we had to work with did not pencil out financially. I saw us facing a similar situation as the owners of Trident. Too much capital injected up front, not enough payoff at the end to justify it.

“I’ll have to talk to my partner, Tim,” I said to Mark. “Any special provisions in the lease. Anything I need to be aware of?”

“Lease rate is \$9.75 per square foot. 8,000 square feet of total space. To secure the space, we will need whomever is signing the lease to personally guarantee it.”

I could feel my anxiety rise as the words “personally guarantee” came out of Mark’s mouth.

“Okay, give me twenty-four hours and I’ll have an answer to you.”

“Thanks Mark,” Jake chimed in. “This space is perfect for what we want to do.” *There it was again, the word “we.”*

I stepped outside with Jake, who had a big smile on his face. “Man, this place is going to be awesome. Great location. Plenty of space.”

“Yeah, I’m not so sure,” I responded. “I’ll have to pencil some numbers.” I parted ways with Mark and Jake and headed back to my apartment. I pulled out a pencil and calculator just to do a quick analysis of the place based off the quick market data I collected during my short time in the area. As I began to pencil out the numbers, my thoughts on the space turned from bad to worse.

Rent: \$6,500 – \$9.75 gross lease structure. Our rent would be the same every month, without any

reimbursements.

Utilities: ~\$2,500 – based off the sheer size of the building and the amount of cubic feet that would need to be heated and cooled. Also, substantial power was going to be needed to run the lights, sound system, and video games we planned on installing.

Payroll: ~\$12,000 – That was before paying myself a salary. Such a large space was going to require a decent sized staff. We also planned to be open from 11:00 a.m. to 3:00 a.m. Paying employees \$8.00 an hour would cover 1,500 hours of staffing, or fifty man-hours per day per month.

Contract Services: ~\$4,000 – We would have to employ a cleaning service to help clean the bathrooms and commons areas every morning. There was also the possibility of hiring DJs on certain nights as well.

Repairs & Maintenance: ~\$3,000 – This was an aggressive number, assuming our equipment would be reliable and perform well consistently.

Professional Fees: \$1,000 – Built in for miscellaneous fee expenses.

Marketing: \$1,000 – We would need a large marketing presence to get our name out there.

Insurance: ~\$2,000 – Purely a guess, based on the size of the building and liability that came with owner and operating a bar and restaurant.

Total Overhead Per Month: \$32,000

Projected Bar Expenses	
Rent	\$ 6,500
Utilities	\$ 2,500
Payroll	\$ 12,000
Contract Services	\$ 4,000
Repairs & Maintenance	\$ 3,000
Professional Fees	\$ 1,000
Marketing	\$ 1,000
Insurance	\$ 2,000
Total Expenses	\$ 32,000

Doing the math in my head, the bar would need to make approximately \$67 dollars per every operating hour to break even ($\$32,000 / 30.5 \text{ days} / 16 \text{ operating hours a day} = \sim\67).

Break-Even Revenue Needed	
Expenses	\$ 32,000
Expenses Per Day	\$ 1,049.18
Hours Open Per Day	16
Revenue Needed Per Hour	\$ 65.57

This budget didn't even include the amount of capital necessary for build out or the costs of

goods sold.¹⁰ There was an excellent chance we would have to finance a portion. This was very far from a sure thing. I wasn't willing to put my life back on the line by personally guaranteeing the lease, either. The decision to walk away came rather easily, as much as I wanted it to work.

I sat down and endured another night of pounding bass through my apartment before popping another Xanax and dozing off in the early morning. It would be my last night in Walton.

Business Mistake: Failure to Learn from Past Mistakes

In my ignorance and desire to get into entrepreneurship, I'd had probably done this deal four years prior. However, I had already made so many mistakes in business and I did not want to keep repeating them. This deal had so many red flags—from the people involved, to the location, to the building, to the build-out cost involved, to the lease agreement. Nothing was appealing to me about this deal, which made it easy for me to say no.

“Those who do not learn history are doomed to repeat it.” The famous quote from George Santayana easily applies to the business world. I was not about to make all the same mistakes that had put me in the situation I currently found myself.

Mistakes are inevitable in business. They will happen. The key is how you address them and how you prevent them from happening a second time. That will determine your long-term success in the world of business.

I woke up the next morning, fully confident in the decision I was making as I dialed Tim on my cell phone.

“So, what do you think?” Tim asked, eagerly awaiting my response.

“Honestly? I don't like the space and I don't think it is going to work. Plus, they want us to personally guarantee the lease. I've done that once already and I don't want to do it again. There's too much risk.”

“Why don't you like the space? Jake thinks it is incredible.”

“He would, he isn't having to put his rear end on the line. Also, he was talking yesterday like he's involved with this project?”

Tim responded, “I just told him he could help manage the place when you weren't there. That

¹⁰ Cost of goods sold are the costs attributed to the production and sale of a product. These costs include materials and labor costs incurred to produce the good. In this case, the food and alcohol needed for menu items and the labor needed to create these items.

way you're not running yourself ragged by having to be there sixteen hours a day."

"I get that, he just talks like he is going to have huge input on the decision-making process. I don't know. Something about him rubs me the wrong way. He seems way too cavalier about everything. That's probably why his current bar is a dump."

"You don't think you want to move forward?"

"No, I know I don't. Here's the problem. The space is massive. It's huge. We could have a decent crowd in there on a weeknight, and you would never be able to tell. The bar is in the back area, far from the entrance. You need at least 100 people in there for it to seem like its full of people. I just envision people walking by, peering in and not seeing anyone and moving on to the next place. Plus, the overhead is massive, that is before the amount of capital needed to get the place up and running."

"So, you're backing out?"

"Yeah, I'm backing out."

"What are you going to do? You're down there with a lease. How are you going to get out of that?"

"Oh, trust me, I'll easily get out of that."

"Well, I think you're making a huge mistake. According to Jake this is the best space in the entire downtown area. I think it's going to be huge, man."

"Are you going to go ahead with the project, anyway? You just going to take what I'm telling you and throw it out the window? I'm telling you, I don't think this is a good idea."

"Jake already told me he could run the place if needed."

"Man, I wouldn't trust that guy to run the place."

"Why not? He's excited about the project and has said he wants to run the place. And he has experience."

"Tim, his current bar is in disrepair. Of course, he's excited about running this place. It gives him something to do."

"I just think it's going to be a huge hit," Tim said with an air of finality.

"Well, I hope for your sake you're right. I'm just not going to be a part of it."

"Okay. Well, good luck to you in whatever you plan to do next. Let's stay in touch."

“Sure, keep me updated on how things go,” I said prior to hanging up the phone. I exhaled, still confident in the decision I was making. I wasn’t going to make the same mistakes I had made in the past.

The next morning, I packed up all my things and drove to the office of the leasing agent for my apartment. I had written up a statement about the excessive noise from the bar above the unit, stating that it violated my right to quiet enjoyment of the premises; thus, allowing me to legally void the lease agreement. I presented the letter to the office secretary and stood there as she read it.

“This doesn’t surprise me. We do get a lot of complaints about that unit given its proximity to the rooftop bar.”

“Maybe you should warn people next time before leasing the unit. Your agent told me that there was very little noise at all from the bar. The entire unit shook when they played music and it kept me up all night. I expect a full release from my lease and my deposit back.”

“Yes, of course,” the woman replied. My eyebrows raised. I was expecting more resistance. “Once we inspect the apartment, we’ll mail you your deposit back. Your lease will be voided immediately.”

It was one of the rare times over the past couple of years where someone kept their word. I received my full deposit back within the next couple of weeks without having to track anyone down.

Tim did proceed with Jake on the Boardwalk concept. The finished concept ended up being very impressive. Tim filled the second-floor area with video games, while the main floor contained booths and a full dance floor. He even rebuilt the bar area from scratch. Tim had to have spent a fortune on the build-out. However, my main concerns remained: Jake and the cavernous feel of the place.

I followed the bar’s progress through news clippings online. It lasted less than a year. While I never heard the whole story, the information I gathered through the reviews I found online indicated the management was a complete disaster. Customers accused management of selling drugs on the premises. It was often poorly staffed and closed at random hours. There was no consistency in the menu or the recipes. They also couldn’t keep their liquor license paperwork current. It sounded like the place turned into a complete disaster. I could only deduct that Jake had been behind the downfall of the business, as Tim had placed him in charge of the day to day duties when I walked away from the deal.

I dodged a bullet, but Tim wasn’t so lucky. His losses had to be in the hundreds of thousands of dollars on the deal. He got into business with the wrong person, and he paid a heavy price for it.

Chapter 29: Now What?

I drove away from Walton, unemployed, with no plan, and with no destination. I decided to head back to my sister's house in Charlestown. She was on vacation, so I used her spare key to get into her townhouse. There, I sat, reflecting on how my life had gone completely off the rails. I was in my late 20s, with far less money in my bank account than when I was in college and nothing to show for it. Nothing.

I knew at that point I wanted to get back into real estate, but I didn't want to sell homes every weekend for the rest of my life. But what else, then? I didn't know the answer. I left my sister's house a few days later and headed back to Martinsville at the behest of my parents. They didn't want me mooching off my sister. Here I was, once again moving back in with my parents after a failed attempt at escaping for good. My days were spent surfing job boards trying to find a job that sounded appealing and engaging. I applied for a few jobs in business consulting and mortgage lending. Nothing appeared particularly exciting. I received a call the next day from a man who had received my résumé through one of the job boards.

"I really like what you have to offer, and I think you could be a good fit for what we're doing here," he said over the phone. It was about one of the business consulting jobs.

"What is it exactly that I would be doing?"

"Well, we would set you up with a list of clients, and you would visit these clients and tell them about the consulting services we provide. You get a base salary as well as a commission for any consulting services you sell. You would be responsible for setting your own travel schedule and your meetings with clients. Our top producers make around \$125,000 a year."

"It sounds interesting."

"We plan to make a decision in the next couple of days. I'm going to interview a few others before making a decision."

"Okay," I responded. I was a bit confused. Was he not going to interview anybody in person? Just over the phone? The pay did sound enticing. Shortly after the call ended, my dad walked into

the room.

“This job sounds interesting,” I told him. “I would be doing business consulting. Basically, I travel to businesses and pitch consulting services. It sounds like a good opportunity to make good money.”

“Consulting? You’re going to do business consulting?” he questioned.

“If they hire me. It sounds decent. I need to do something.”

“I have these consultants come in all the time at my office. A bunch of guys that don’t know anything about business just try to sell you their services. I don’t think you’d like doing that too much.”

I stood there in for a moment before turning around and leaving the room. *Okay then*, I thought as I decided to get into my car and go for a drive. Whether it was true or not, my dad’s words had put the idea of going to work as a business consultant out of my head. As I drove, tears began to stream down my face as I filled with anxiety. I was completely lost. For a second, I thought maybe I had found a good job lead, only to have those hopes quickly dashed. I started to think, *maybe that is where I need to be, surrounded by frauds just like myself. I am a pathetic loser*. I went out that night, and I drank myself into oblivion.

After a few weeks of futile searching, I ended up getting a job as an office secretary at the real estate brokerage firm I used to work for as a favor from my old boss. My license was inactive, so I couldn’t sell real estate, and I didn’t want to fully commit to being stuck back in Martinsville. I knew that real estate was where I wanted to make my living, but how? How could I make a good salary without having to sell homes? I wanted to create. I wanted to deal in big projects with smart people. Smart people with deep pockets. I needed to be around people smarter and wealthier than I was. Then, it hit me one day while playing a city building game on my iPhone—the real estate development field.

It was an obvious answer that really had been evading me for a long time. I don’t know why it hadn’t crossed my mind sooner. As I began searching real estate development careers, each attractive position stated that it required a Masters in Real Estate or equivalent field.

Masters in Real Estate? I didn’t even know that existed, I thought. I really hadn’t heard of it before. I did a Google search and quickly found that there were multiple schools in the Washington, D.C. area that offered a Masters program in Real Estate and Real Estate Development. I couldn’t believe it, but I was giddy with excitement. This was the next step. As I searched through the programs, I quickly came to the realization that this was going to be an endeavor that would cost me

tens of thousands of dollars. But, I really didn't have much of a choice. I could either wallow in mediocrity at a job I didn't like or bite the financial bullet and get the education necessary to pursue the real estate development field.

The next couple of weeks were spent researching the schools around the Washington, D.C. area before settling on the University of Maryland. It wasn't outrageously expensive and offered programs that covered the full scope of the profession. I polished up my résumé and submitted it with a letter as to why the school should accept me, detailing my many business experiences and time spent in real estate as a broker and Sales Manager. It took an agonizing month before I heard an answer, but I was accepted to the school for the Winter 2013 semester. I was officially off to the D.C. area for graduate school at 30 years old.

Business Mistake: School Debt Without a Plan

Higher education can be a valuable tool to help you stand out from the field when competing for high paying jobs. But I've seen many people go to graduate school just to delay having to enter the real world, only to accrue thousands more dollars of loan debt that becomes almost impossible to pay back in a timely manner and really doesn't enhance their job prospects.

The cost to attend college has skyrocketed in the past fifteen years. Where entering college was once the default decision for many graduating high school, the rising costs have caused many to rethink that decision. As of this writing, the average student loan debt is approximately \$37,000! Many people graduate college with a degree they've paid for that they can't use, with a mountain of debt and no income stream to pay it off. More than 10% of those who have student loans are currently in default.

In my case, I was 100% confident I wanted to be in the real estate development field. Having this confidence allowed me to absorb the \$60,000 hit I'd have to take to acquire the degree, hoping that this degree would lead me down a path to a high-paying job in the field. Yet, there was no guarantee this degree was going to land me a job. I was still taking a financial risk.

Student loan debt should be looked at as an investment in your future. As with any investment, is the risk worth the reward? Often it isn't, which is why people are saddled with student loan debt well into middle age with a job that doesn't give them the wherewithal to pay off the debt quickly.

There are plenty of good paying jobs out there that require less than a four-year college

degree. Or, it's possible to become an entrepreneur and start your own business. But taking on a mountain of debt to go to college because you don't know what else to do or to delay entering the work force is a poor financial choice. It's a lazy way to approach a big life decision and a surefire way to end up in a precarious financial position for many years to come.

Chapter 30: Hometown Black Hole

My time in D.C. was an incredible learning experience. I loved being in the city, working with smart people on mock development projects while in grad school. Near the end of my first semester of school, I came across an internship position for a local D.C. developer. It would give me the opportunity to get in on the ground floor and get much needed experience. I applied along with about sixty other people and was fortunately awarded the internship.

New city, positive things happening, I thought to myself after I received the phone call from the Principal at the company. I had already gotten my foot in the door in the industry within the first couple of months.

However, a few days later, the Principal at the company e-mailed me with some news.

Your first day will be next Monday. I've decided to bring on another intern as well this summer. His name is Rob and he'll be working alongside you. He is still in undergraduate school but is a family friend. He wants to get some experience in the field as well.

I read it and I felt the anxiety filling inside my chest.

"Blah," I muttered. My girlfriend at the time was in for a visit and watched as I slammed the phone down my bed.

"What is the problem?" she scowled.

"They're bringing on another intern with me. Some family friend."

"Why is that a big deal?"

"Because I earned the internship fair and square! Now I have to split time with someone who had an in."

"So, why is that such a big deal?"

"You just watch," I replied. "This will come back to bite me. Sooner or later."

"How would that come back to haunt you?"

“Just watch.”

She rolled her eyes at my seemingly paranoid and overly negative stance on the matter. And yes, it was a negative way to look at the situation, but I had been kicked around so much over the last six or seven years that I just expected the worst.

Rob and I both served as interns during the summer months, but Rob left to go back to school in the fall and I asked to stay on in a part-time capacity to earn some extra money during the school year. With Rob gone, I felt I was putting myself in a good position to become a full-time employee once I graduated from grad school. I was now helping the development company expedite all its development projects through the city’s permit pipeline, gaining valuable knowledge and experience in the process. Most of all, I was having fun watching these development projects take shape, and I again felt a renewed sense of purpose.

Yet, as I came up on a year of employment in the spring of 2014, the office secretary blindsided me with the revelation that Rob was coming back to work at the firm following his graduation in a couple of weeks. *Why are they bringing him back?* I wondered.

Once Rob came back, I saw my work duties slowly get passed off to him. I grew more and more frustrated over the next couple of weeks until the Principal at the firm took me out for coffee and to tell me what I already assumed was coming given what had transpired over the last couple of weeks: I was being let go.

“You’ve been a great asset for us. But at this point, you’re overqualified for the work we have you doing, and I can’t pay you what you would be worth in the open market. I’ll do whatever I can to help you secure a position elsewhere.”

I bowed my head as heard the words and chuckled, thinking back to when I had flipped out at the news of Rob joining me in my internship. *It really did come back to bite you.*

“I appreciate the opportunity. The experienced I gained was invaluable,” I said, before heading back to the office to pack up my things, frustrated that another door had been slammed in my face.

It was June of 2014 and I was slated to finish grad school in December. Quickly saddled with the thought of not having a job out of graduation, I started looking for positions and applying to all the large development firms in D.C.

But, none of my efforts translated to a full-time job. I was hoping that eventually I would get noticed but failed to get as much as a call back from the places where I applied. I inquired with some of my professors about any potential openings but came up empty. I had not done a ton of networking over the past year, as I was hopeful that my internship position at the development firm would

be converted to a full-time position upon graduation. Now, my lack of connections in the industry were hurting my job prospects.

I sat in my apartment over the summer, searching for positions at companies within the D.C. area. Given the amount of bouncing around I had done over the past couple of years, I wanted to try and stay in the area. But, I wasn't having any luck with the higher-level positions that would afford me to live in the city. I was now looking at the prospect of having to live in the D.C. suburbs and commute an hour or more to and from work each morning. The idea of that sounded dreadful.

I spent many days that summer laying on the couch in my apartment, staring up at the ceiling and wondering what the hell I was going to do next. I thought I was going to have a much easier time finding a suitable position in the field, but I quickly learned that wasn't going to be the case. Anxiety and a tinge of depression set in as the negative thinking permeated my mind. I was once again without a sense of purpose and scared about what the future held.

Business Mistake: Failing to Network

"It's not what you know but who you know." Many times, I've seen people get into positions they weren't really qualified for because they knew someone in a position of power at the company (remember Carrie and Mitch?) When it comes to hunting for a job, your network is of the most vital importance. This was something that I realized too late during my time in D.C. I was working my internship with the condo development company and had failed to build a bigger network in the area during this time. When my internship came to an end, I had no one to lean on for job prospects, and nobody to put in a good word for me to HR or the person doing the hiring at a company. To these companies, I was just a name on a sheet of paper in a high pile of names on sheets of paper. It makes for a nearly impossible hill to climb.

Get to know the players and the influencers in your chosen field as much as possible. Attend networking events in that field. They can be successful ways to introduce yourself to people with power in your chosen industry, or, if you're a business owner, to get your product or service in front of people. Networking events also help people get over the fear of meeting new people and conversing in public. They can be quite beneficial if taken advantage of correctly.

One weekend while I was home visiting friends and family in Martinsville, a friend of mine named Dan called me over to his home to discuss a business opportunity. I walked into his home office where he had a large poster that displayed the name and logo of his new commercial real estate brokerage.

“I’ve been having great success the past couple of years in commercial brokerage, and I thought it was time for me to branch out on my own.”

“Wow, that is pretty great,” I responded, impressed at what Dan had achieved.

“I want you to join me to build the brokerage. My pipeline is full, and things are rolling right now. The industrial sector with the oil and gas industry has been keeping me extremely busy. I think it is a great opportunity for you and I.”

“Really?”

“I think we can do a lot of damage in the market.”

I felt Dan was right. There was a lack of knowledgeable agents in the area, but it meant having to move back to Martinsville, something I really wasn’t thrilled about. I enjoyed the vibrant and multicultural scene of downtown D.C. Martinsville was anything but that.

“Let me think it over,” I said before departing. I was torn about the decision, so I sat down and weighed the pros and cons of the decision.

Pros

- Work with a friend to build a company
- Potential to make a good income
- Get out of debt faster in my hometown
- Possibly lead to development in the future

Cons

- Moving back to my hometown
- Will have to live with my parents
- Income is uncertain
- *Moving back to my hometown*

The main crux of the decision was that I didn’t have any other compelling options. Hell, I couldn’t even get a call back. I knew moving back to Martinsville meant I was momentarily abandoning my goal of getting out of there for good. I still harbored a lot of resentment for everything I experienced while doing business in Martinsville, from the people to the economic climate. But, I

wanted to get out as debt as fast as possible and was willing to do whatever it took, including moving back in with my parents at age 31. So, I reluctantly took the job and packed up my things the day after graduation and left D.C. I said goodbye to the many friends I had made in the city and drove off, hoping I was making the right decision. I missed D.C. the moment I left the city limits.

I walked into the spare bedroom at my parent's house, the same one I had occupied before I had left for D.C. *\$60,000 later, and here you are in the same exact place as when you started*, I thought as I dropped my luggage down on the floor. "This better be worth it," I muttered.

I started at Dan's brokerage the following Monday. There wasn't a large learning curve, as most everything about the business I knew already. However, my first months on the job in early 2015 saw the barrel price of crude oil drop from \$75 to \$45 a barrel on the mercantile exchange. The oil and gas business dried up as companies stopped leasing warehouse space for operations. Multiple clients disappeared in the middle of the night, never to be heard from again. The brokerage's bread and butter for commissions was at a standstill, which left us scrambling for any deal we could put together. It was not the start I had envisioned when I accepted the position. Dan pleaded for patience while we waited for the price of crude oil to rebound.

Six months into my time at the brokerage, I had barely earned enough to move out of parent's house and afford a \$600 a month apartment. We were struggling to put deals together at the brokerage. I walked into the office one soggy summer morning and sat at my desk, which was devoid of any paperwork. I brought up my list of action items and it was blank, not a single task needed to be completed.

\$60,000 later, a move back home, now a dumpy apartment, and look where it got you. Sitting at a desk with nothing to do. The panic and negative thinking hit me like a tidal wave. I grabbed my things and quickly rushed out the door to my car, where I went into a full-on panic attack. *I'm never going to get out of this vicious cycle of continuing mediocrity*, I thought, as tears welled up in my eyes. *Don't I deserve better than this?* The truth, I knew, was that I didn't "deserve" anything. This was simply life and my reality continually hitting me hard and knocking me down.

I found myself in a deep hole of depression and despair for the next two weeks. It was a struggle just to get out of bed in the morning. I battled bouts of deep sadness. Even during the roughest moments as a small business owner, I had never felt as bad about life as I did during this time. I had zero hope for the future. The world had beaten me down. It had won. I was 31 years old, single, broke, and in a lot of debt. And, I was making an income below the poverty level with a Masters degree that put me \$60,000 in the hole. I was much further behind financially than I was when I was

15 years old. This had become my life and I was embarrassed for myself considering the high expectations I had for myself coming out of college and getting into the world of business.

I was in a bad place and couldn't reshape my mindset no matter how hard I tried. I needed help.

Business Mistake: Ignoring Your Mental Health

I first dealt with bouts of depression and anxiety when graduating high school at 17 years old. At the time, I wasn't exactly sure why I was feeling the way I was feeling, I just knew that it felt horrible to be anxious all the time and not knowing what the future held for me. These feelings lasted well into my freshman year, affecting my grades and making the transition into college that much more difficult – and I never even left my hometown.

I dealt with another bout of anxiety and depression when I was about to graduate college (mentioned previously in the book). I still didn't know how to process those feelings, all I knew was that I was dealing with the impending graduation from college poorly. I was anxious constantly about the future and what it held. This put me into, what I would realize later, was a depressive episode that lasted approximately two months. I remember pacing for hours at a time, wondering about the future and what to do with my life, not ever able to come up with an answer.

Since the moment I had left for Charlestown, my life was in a constant state of flux, full of uncertainty of where I was going and what I was doing. This led to constant bouts of anxiety and depression, from the panic attack at my sister's house while working at the car dealership to the panic attack that day at the office back in Martinsville over a lack of work and income. That attack led me to feel so hopeless and worthless. I knew I needed help. For years I had tried to handle these feelings internally, but I finally realized I couldn't do it on my own. I found these emotions too hard to predict and too hard to control. The intensity of the anxiety too much to simply suppress by "getting tough" and ignoring it.

With the help of a psychiatrist and psychologist, I was able to get these emotions under better control with medication and by also developing natural coping mechanisms to prevent anxiety and depression from taking further hold of my life. I also came to know that anxiety and depression run in my family, a genetic anomaly that is most likely the root cause according to my doctors. I know that I'll never 100% defeat this ongoing affliction in my brain that comes and goes unexpectedly, but I know that I now have successful ways I can cope—through talk therapy, meditation, medication, exercise, and a restructuring of my thought processes.

Coming to this realization has made me a better person. I'm now better at withstanding the many curveballs that life throws and coping with unexpected stressors. I still worry about the future, but it doesn't consume my thinking. I don't find myself pacing for hours at a time, in a constant state of panic.

Your mental health is too valuable and too fragile to be ignored. If you let it control your life, it can keep you from reaching goals and achieving your dreams. It can keep you from exploring the world and experiencing new, incredible things. The moment I decided to stop letting it control my life, a world of opportunities opened.

While it was once considered a stigma, society's struggles with depression and anxiety have really come to the forefront over the last four or five years. Stars, athletes and other prominent figures are speaking out about their own bouts with anxiety and depression. This is a positive trend that is helping spread awareness to the struggles of maintaining adequate mental health and to erase the stigma that is often attached. It is something that needs to continue to be addressed and discussed, which is why I mention it here. I was once very ashamed to even talk about these issues with anyone, but it ultimately a part of who I am and plays a part in where I am today. Don't be afraid to seek help.

Chapter 31: Pushing Through

Financially, my life did not improve as time went on. I left the brokerage for another position in Martinsville a year later—a lateral move at best. However, I took advantage of the help I received from my talk therapist to reshape my mindset and battle against the anxiety and depression that had taken hold of me. I decided I was going to stay active and focused, and that I would do whatever it took to improve my life, no matter how long of a process.

I enlisted in online finance courses to further boost my skillset and I put my résumé on as many real estate job boards I could find. Given my location in a small town outside of any major real estate market, I knew it was an uphill battle to get noticed. I called and spoke with recruiters who told me I had little chance getting hired living in Martinsville, and that I needed to move to the city where I wanted to work. One went as far as to laugh at me on the phone for even trying to land a job while living in Martinsville. Given my current financial situation, I knew this was impossible, as I was already deep in student loan debt.

In the first ten months of my job search, I received one job interview out of the more than forty jobs I applied for online. It was for a Development Associate position that I badly wanted back in D.C. The position would give me the opportunity to work on large development projects in downtown D.C. I spent days researching the firm and going through the interview in my head as I prepared for the interview.

I interviewed with three people at the company and left their offices that day feeling confident in my performance. But, it wasn't enough, and I did not land the job. Over the next eight months, that would be as close as I would get to landing a job. That, and a bunch of e-mails that all said the same thing, *“Thank you for applying, but we have decided to go with a candidate that we feel would be a better fit for the position. Best of luck in your future endeavors.”* I must have gotten thirty to forty of those e-mails over a year and a half. It was exhausting.

And that's how it was for the two years following my move back to Martinsville. I just floated along, hoping things would change, hoping that a break would come from somewhere. From the moment I quit my job as a production home builder, my life had been a quagmire of uncertainty and

constant fluctuation. It required everything I had mentally to keep from going into a downward spiral of defeat.

One day, as I was perusing the job boards, I came across a posting for a real estate acquisitions position in Orlando, Florida. The pay was great and called for constant travel within the state of Florida to search out assets for the company to purchase. It sounded like a great opportunity. I submitted my résumé online like I had done so many times before, hoping that they'd pick me out of the stack, but I knew the chances were beyond slim.

But, this time, I took one extra step. I contacted a global real estate publication inquiring about placing a personal ad in its upcoming quarterly magazine with my picture and qualifications. It seemed like a great idea and I was tired of being passed over and unnoticed. I looked up the cost of ad space, which was about three thousand dollars for a half page ad. At this point, I was willing to take the big gamble to get noticed, as I knew real estate executives all over the world subscribed to this magazine. That is how desperate I had become.

However, when I contacted the advertising department inquiring about ad space, a woman on the other end of the line told me that personal ads were not allowed. I was disappointed but not all that surprised. Although I couldn't place personal ad space, the executive I inquired with in the advertising department wanted to know more about my situation.

"I can't say we've ever had anyone call about placing an ad looking for work in our magazine," she said. "Are you having that much trouble finding a job?"

"Pretty much," I replied. "It has been extremely difficult to get noticed, especially living in a small town. I'm trying to think outside the box. I figured a personal ad would show everyone how serious I am."

"I wish I could help, because it is a pretty great idea. If you don't mind, let me refer you to our publisher. She might have some ideas on how to get noticed."

A few days later, the publisher of the magazine, Lauren, reached out to me. We had a great conversation over the phone, as she doled out advice on how to approach the interview process.

"Are there any positions that you're looking at currently?" she asked.

"Well, I just applied for a position in Orlando, Florida. Associate Director of Acquisitions. It sounds like a great opportunity with a great company, but I don't like my chances."

"I'm pretty sure we have subscribers who work at that company. You could reach out to them via our online directory?"

“I’ll have to try that,” I responded.

After my phone call with Lauren, I looked up some of the employees and reached out to them via e-mail. I never heard back, and after a week went by, I figured I had not been picked for an interview like so many other times before.

But, that’s what finally happened. In late November of 2016, I received a call from the company’s HR department and did my first Skype interview a few days after that. I was then asked to fly to Orlando to do an in-person interview with my would-be boss after the first of the year. The flight path called for a layover in Miami before taking a connecting flight to Orlando. Unfortunately, my flight to Miami was delayed, causing me to miss the connecting flight to Orlando. To make my interview the next morning, I was going to have to rent a car and drive through the night from Miami to Orlando. I didn’t care if I would have had to hitchhike to get there, I wasn’t going to miss that interview. I found the rental car area and made the three-and-a-half-hour drive from Miami to Orlando and arrived at my hotel at four in the morning. I was up at 7:30 a.m., amped for the interview.

I interviewed all day in Orlando before flying back to Martinsville. I felt I had done a great job conveying my desire for the job. And, I needed the job, more than ever. A couple more agonizing weeks went by, but I received a call in February of 2017 from my would-be boss telling me that he was hiring me as the company’s new Associate Director of Acquisitions. That call was the one I had been anticipating for such a long time but was doubtful would ever come. However, it finally happened. Finally.

How much did my conversation with Lauren play a part? Did she reach out to the company? I never did find out, but it seemed like more than a coincidence that I received a call for an interview with the company shortly after our conversation.

Business Mistake: Burning Bridges

When I was interviewing for the acquisitions position, the HR department checked with many of my former employers including Dan at his commercial brokerage in Martinsville, and my former boss at the condo development company in D.C. I had left these positions on good terms, and both had nothing but positive things to say to the HR department during my screening process. This paid dividends and was one the key reasons I was hired for the position. It is important to be cognizant about not ruining relationships with people who could have an impact on your future.

I could have easily berated my former boss at the development company in D.C. for hiring Jack and letting me go. I could have easily berated Dan in Martinsville for convincing me to come back and work with him in our hometown, with the promises of success that didn't pan out as planned. But, I had great respect for these individuals and did not want to ruin these relationships. The employment process would have gone differently if I had, and I highly doubted I would have been as closely considered for the acquisitions position had I burned bridges with my previous employers.

In early March of 2017, I packed up my things, said goodbye to my friends and family, and made the long drive to Florida to start a new life at the age 33. I arrived at a scene full of palm trees, blue skies, warm weather, and a beautiful new apartment with a panoramic view of the downtown Orlando skyline. *Finally*, I thought. After more than ten years of struggling to make it in business and in life, and nearly falling into bankruptcy and losing everything I worked for, I was now at the point where the future didn't seem so bleak. I was still saddled with a mountain of debt, but I now had the means to get it paid off much more quickly than ever before while working in high-dollar real estate.

As the only corporate employee for my company in the state of Florida, I was now in a position with little oversight, free to do my work without someone looking over my shoulders every couple of hours. I was responsible for hunting down multifamily apartment assets valued anywhere from \$10M to \$100M dollars. I had gotten my wish and was now working on multi-million-dollar deals and working with well-educated, knowledgeable people in the real estate industry. In my first year with the company, I closed over \$30M in real estate and almost closed another \$45M. It was only eight years prior that I had had a \$30,000 dilapidated house filled with piles of trash under contract and dealing with an estate sale to close the deal. However, something was missing. While I was tasked with finding the deals, I did not have much input into the operations of the properties after they were acquired. *I wanted more.*

My hard work and substantial track record were quickly noticed. After a year as the Associate Director of Acquisitions, I was contacted by an employment recruiter on LinkedIn on behalf of a privately-held real estate investment and advisory firm out of San Francisco and Chicago. The firm was looking for a new Vice President of Acquisitions in Florida to create and expand their real estate investment platform in the state.

"Absolutely," I responded when asked if I would have interest in the position. As their VP in the state of Florida, I would be responsible for all the firm's multifamily efforts in the state. I'd be overseeing the entire investment process from acquisition to disposition. We settled on a time for a

phone interview and I chuckled to myself as I came to the realization that recruiters once scoffed at me when I asked for their help. Now they were bringing opportunities to me. My perseverance had paid off.

Business Mistake: Being Ill Prepared for the Interview Process

At this point, I had been well versed with the interview process, having gone through it numerous times. A company's interview process gives you the opportunity to showcase your skills while they also determine if you'll be a cultural fit within the company.

There are things during the interview process that will quickly stand out to employers. Were you on time? Dressed for the position? Did you greet the employers with strong handshakes? Nothing makes a poorer first impression, in my opinion, than a limp, weak handshake. Be ready to answer all questions about your previous experience and keep it formal always. Bad experience at a previous employer? Resist the urge to badmouth them while explaining why it didn't work out. Keep it short, yet candid about any failures you've experienced, but also avoid making yourself sound like you've been a superhero throughout your entire career. Savvy interviewers will see right through the façade or call up your references to seek the truth. And don't ever say that one of your faults is that you "work too hard" or "care too much" when asked about how you can improve yourself. It is completely phony. Simply describe what separates you from the rest of the competition and tell them why adding you to their team will be the right move for their company. Too many interviewees talk too much about themselves and how great they are and not enough about the firm and how they can help the company achieve greater success.

Also, many people fail to do the appropriate research or ask specific questions to the employers during the process. While, technically, you're the one being interviewed, you should be asking inquiring questions in return to get a better feel for the company's operational processes and company culture. These questions should be based on research you've done beforehand. What are the company's plans for Project X? Where do you see the company's operations in five years? These questions demonstrate your interest in the company and the position.

Afterwards, it is always a good idea to send your interviewers an e-mail thanking them for their time. This reaffirms your interest in the position and demonstrates thoughtfulness.

The interview process can be a long and stressful one but following this simple guideline will help you get a leg up on the competition.

I first interviewed with the recruiter over the phone, followed by another phone interview with the firm's Managing Principal. After a third, in-person interview with the Managing Principal and Senior Vice President, I was hired as the new Vice President of Acquisitions. I received the news while visiting my sister back in Charlestown. I sat in her bathroom after hanging up the phone, staring at myself in the mirror. I grinned. I had made it to the big leagues of the real estate business.

Now, I envision a future in which my entrepreneurial flame burns bright. As the Vice President of Acquisitions, I'm tasked with building the firm's entire investment platform in the state of Florida. I, essentially, have been given my own real estate portfolio to build and run with the backing of firm's Principals. In return, I get a piece o

f the portfolio's profits and I'm allowed to invest my own capital in the deals I execute. It is an incredible opportunity. I can build *real, passive income* through real estate investing. In fact, at the time of this writing, I'm in the process of investing and closing on a multifamily deal for \$48.3M located on Florida's west coast. For the first time in a long time, I'm on my way.

Epilogue

I would have never ended up where I am today had I given up on the life I envisioned for myself. That full vision hasn't come true yet, but I believe I've gotten myself on the right track to get there someday soon. It took over ten years to get to this point—ten years of suffering through everything imaginable as a business owner, and later as a company employee. Many times, through the years, I could have given up on what I wanted to accomplish in my career and in my life and settled for a job or a position that wasn't particularly challenging or rewarding. Many times, through the years, I could have accepted the fact that my small hometown of Martinsville was where I was supposed to reside for the rest of my life, never really pursuing my dream of working in high-dollar real estate and having an engaging career.

But I never gave up on that vision, ignored the naysayers, and the faith I had in myself has finally been rewarded. While I may have failed at business and made multiple poor life decisions in the process, all those experiences helped shape the person I am today. Sure, I would have rather had great success in my entrepreneurial endeavors, but in each failure was the chance to benefit, learn, and become stronger for the future.

Companies I have worked for have said that the adversity I had faced through my business mishaps made me uniquely qualified for the position and allowed me to stand out from the rest of the candidates during the interview process. So, while I may have failed as an entrepreneur, in many ways I consider it all a success. I learned that I'm someone who can take the hits and keep going. Someone that can face challenges head on and overcome them. I will take that mentality with me for the rest of my life.

One thing I've learned for sure, nothing is a greater teacher than failure.

Acknowledgements

First and foremost, I want to thank my parents for not killing me at some point during the past 10 years. I'm sure at some point they questioned my sanity as well as my ability to make sound business decisions. However, without their help emotionally and financially, I know I would not be where I am today. I never liked having to rely on them to bail me out or the fact that I had to move back home twice to get my life together, but I'm forever thankful that their help was even an option.

My brother and sister, who are there to support me whenever I need it. I tried to avoid involving them in my trials and tribulations as much as possible throughout the last ten years, but they jumped at the opportunity to help me whenever asked. Having siblings you can count on is a lifelong gift to be treasured.

ACI Restoration and Craig and Jack Tanner. While nearly all names and proper places were changed, their names were not. ACI was a godsend, saving my rear end more times than I care to count. I'll never forget and forever appreciate the help they gave me as a young business owner when I needed it the most. Craig and I ended up forming a long-lasting friendship throughout the many problems I needed his help in solving. Sadly, both men are no longer with us, but their memory will never be forgotten.

My friends turned business partners turned friends again. Even through all the turmoil, disagreements and bad outcomes, I can still say I have a good relationship with all of them. So mehow, we were able to come out the other side without our friendships permanently damaged. These days, we can laugh about all the crazy things that happened to us during our time as business owners.

Those responsible for hiring me at my executive positions in Florida. While others had written me off or otherwise failed to give me a chance, these people saw what I would bring to the table via my work ethic and determination, forged through years of failure. They knew that none of the other candidates would outwork me.

Kelly Lydick for editing out all the cursing I had in the rough draft. Recounting some of these events brought some old emotions to the forefront, and we felt it was a good idea to smooth out some of the rough language.

Charlotte Bergan for capturing the perfect book cover and holding my hand through my first photoshoot ever, even as a struggled a bit through the Florida humidity.

Lastly, I want to thank you, the reader. You felt you had something to gain by reading this book. I hope that you did.

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