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HOW TO MAKE $180,000+ in 90 Days Using None of Your Own Money

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How to Make $180,000

In 90 Days Using None of Your Own Money

Well, good evening, ladies and gentlemen. My name is Lee Arnold and I am the CEO of Secured Investment Corp, the Lee Arnold System of Real Estate Investing, Cogo Capital, which is our private lending arm, and of course Lake City Servicing. I am also the chair of two private equity funds—Secured Investment High Yield Fund I and High Yield Fund II, which is where our accredited investors can participate with us on diversified loan products.

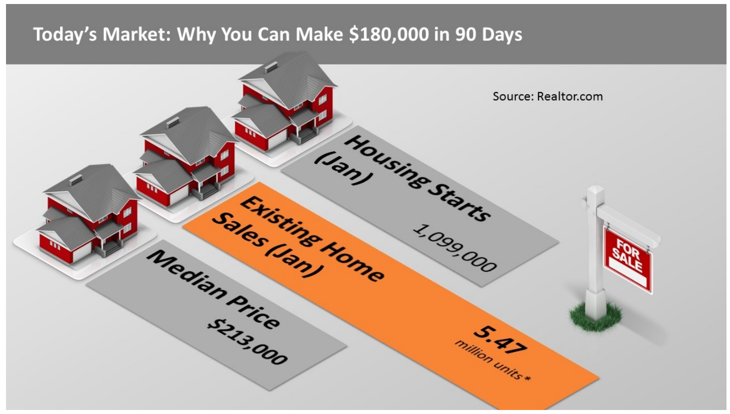
Today we're going to talk about **How to Make $180,000 in 90 days**. Do you think this is possible? I believe it is because I have done it and continue to do it. The purpose of today's presentation is to get you into a place where you also believe you can do it too and will actually pull the trigger and do it!

I was recently out with Rachel Gilmore in the Baltimore market. While there, we picked up a property at

What is the CEO Fireside

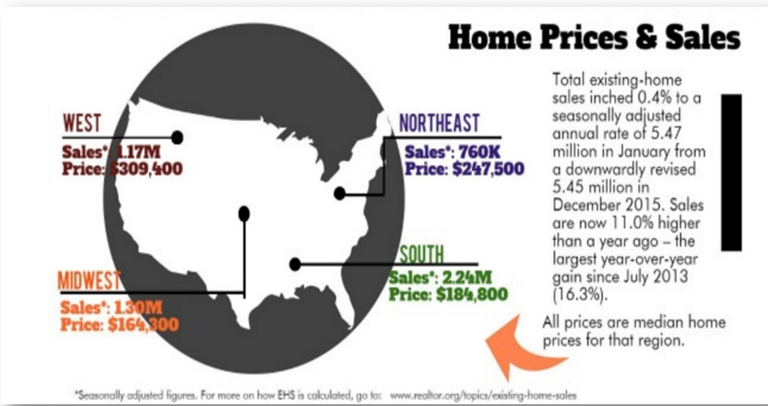
These monthly success-building, all content trainings help you overcome common obstacles and enhance your business acumen for further growth and development. That being the case, we only want 200 of the most serious, involved entrepreneurs on the call.

the foreclosure auction, and she just bought another property this last Friday. She's relatively new to the business and hasn't done a lot of flipping, yet she's actively out there buying and selling. I would also encourage you to be more active in real estate because the stats show that the marketplace is ripe right now.



Today's Market: Where You Can Make $180,000 in 90 Days… Anywhere!

Sales of existing homes in January of 2016 were 5.47 million units with a median price of $213,000. That's your baseline of what we're dealing with.



Here are some other interesting stats as it relates to the west, Midwest, northeast, and south. You can see sales volume as well as the median price. Total existing home sales inched four tenths of a point to a seasonally adjusted annual rate of 5.47 million in January.

Sales are now 11 percent higher than a year ago, which is the largest year-over-year gain since 2013.

This information tells us that the market is desperate for good, quality properties for sale. If you've ever considered getting into the rehab business before, now is the time that you need to jump in with both feet. Your biggest challenge right now may be that you can't find enough inventory. If that's the case, my guess is that you are looking in all of the wrong places. Today we're going to talk about the right places to be looking for the right inventory. It's true that inventory levels are way down. In fact, in my market alone, inventory levels are the lowest that they have been in the last 15 years. What's driving low inventory levels is we literally stopped building houses from 2008 to 2013. Normally, as a nation, we were building 14 million homes a year. However, during the five year span between 2008 to 2013, we built 5 million homes total, nationwide. When you go from 14 million new housing starts a year to 5 million over an entire 5 year period, which is only 1 million per year, we have a significant shortage of inventory available.

The good news is that this translates to not having to wait too long to offload properties. The longest I have had any of the properties I'm going to show you here today on the market, before I had a full-price offer or better, is less than three weeks. Everything is flying off the shelves because inventory levels are so low, which means risk has never been lower. If you are risk averse, now is a very good time to be an investor, but you still need to know how to buy right.

Today's Market: When You Can Make $180,000 in 90 Days…. NOW

Following the highest average year for the index in nearly a decade, pending home sales declined in the beginning of 2016, but remained slightly higher than a year ago. Lawrence Yun, the NAR chief economist, says while January's blizzards possibly caused some of the pull back in the northeast, the recent acceleration in home prices and minimal inventory throughout the country appears to be the primary obstacle holding back would-be buyers. Additionally, some buyers could be waiting for a hike in listings come springtime.

I can tell you that I have been wholesaling a lot of houses over the last six weeks. Why? Because investors need inventory for the spring market. While there is hope that appreciation and home values will start to entice more homeowners to sell, Yun says supply and affordability conditions won't meaningfully improve until home builders start ramping up production, especially homes at lower price points. This is important to understand since land is at a premium right now. I was actually looking at a five-acre parcel that went to auction last Friday. It currently has a 4,600 square-foot house with a swimming pool sitting on it, which can be subdivided onto its own half acre parcel. Then, with the density allowable for that area of town, I can get 12 more building lots on that five-acre parcel.

For those of you that are going to be up here for Lee's Inner Circle, we'll be focusing on raw land, entitlement, permitting, and what's called infill development. Infill development is where you buy houses for literally pennies on the dollar with the purpose to knock them down. I have one that I bought last July with a 12-month redemption period attached to it. I was just in a meeting with my contractors today to start ramping up the plans and permits so that on July 15th, when title clears, we can bulldoze it down. My plan is to build a three bedroom, two bath 1,600 square foot rambler, with an unfinished basement. I picked this property up at a tax lien sale for $38,000. We'll be about $110,000 on the construction on it, and it will sell for about $275,000. We bought it specifically for the dirt. You need to be thinking of this strategy, especially in some of the more expensive areas like L.A. or San Diego. Because of the reduced inventory levels, which are not going to abate for the next 24 to 36 months, this is the time to buy dirt. You will be building into an upswing of appreciation. So you buy on today's value, get bids based on today's capital and construction costs, and then price it six to eight months from now when the construction is completed and the appreciation has gone up. The other advantage of construction, especially if looking to leave your job, is when you're the general contractor for the construction or development of a project, the line items of the loan allow for you to take a general line item. It's not uncommon for the general contractor on a job to get

$5,000 to $10,000 per month as a line item out of the construction costs. Cogo will do that.

People ask us all the time if Cogo will fund new construction. The answer is yes, we absolutely will, but you need to know what you're doing. Construction is a much more advanced side of the business and even though I love it, do it, encourage others to do it, and finance it, we will only loan money to people who know how to do it.

Existing home sales this year are forecast to be around 5.38 million, which is an increase of 2 and a half percent from 2015. The national median existing home price for all of this year is expected to increase between 4 to 5 percent. That statistic alone is one of the most encouraging that I've seen in a very long time. For those of us who are in markets where there has been zero appreciation and in some cases negative appreciation or depreciation, the fact that we're seeing trends like this speaks to the strength of the economy, consumer confidence, and an increase in spending.

As you know, the market is cyclical and we just happen to be in an upcycle. I like to talk about the market as if it's a clock. The top is noon, which is the peak of the market and the bottom of the market is 6 o'clock. We have come past 6 and we're at 7 or 8 in most markets. In Southern California, we're at a 10 or 11, which means that market has just about peaked out. Fortunately, you'll stay pretty strong and not see any depreciation, but your days on market are getting longer and longer. When we see days on market, especially in markets like California, go from 30 to 45 days to 60 to 90 days, sellers who were expecting that property to be sold within the first 30 days of it going on the MLS, are going to start dropping prices. So be aware of that, especially as you're doing your cost projections, because your capital and carrying costs are going to be significantly higher when you're buying a fixer-upper in Southern California. You're paying $350,000 to $400,000 for it with a potential resale value in the high 8s or 9s. However, your carrying costs are significantly higher. Make sure you calculate a longer holding period because your days on market are going to be longer.

The Fix and Flip Strategy: How I Made $180,000 in 90 Days

So let's first talk about fix and flips. My rule is to wholesale the deal first. If you can't wholesale it, you fix and flip it. If you can't flip it, you sell it on a lease option. If that doesn't work, you rent it out. As far as I'm concerned, that's how the natural progression of a deal works. I don't encourage anyone to buy and hold real estate as a rental property until they have at least $250,000 in liquid cash, not equity cash. I'm talking straight cash that we can use to buy at tax lien sale, probate sales, or foreclosure auctions. Cash is king. I know you work with me and with Cogo Capital because we offer financing, but ultimately you need to have liquidity available to you for real time quick, fast transactions.

Fix and flips are a great strategy to get you to that point. You can easily make $15,000 to $50,000 on one deal depending on your market and how good you are at finding bargains. You can do a phenomenal job, stay on budget, and do amazing work, but if you paid too much for the property up-front, you're not going to make much money when you sell. In real estate, we make money when we buy, and we realize our investment when we sell. All this means is that if we don't buy right, we can't sell right.

One of my favorite strategies is foreclosure auction acquisition. Why? It's fast and immediate and you can get much better deals. Although, in some markets, you have to have the entire amount, there are some markets where you don't have to have all cash to bid. Dave Bianco, up in New York, only needs 10 percent down to bid and then 30 days to come up with the rest. Rachel Gilmore, in Baltimore, only needs 10 percent down and then 60 to 90 days to come up with the rest. In these cases, you can control the asset for a minimal outlay of capital. So for those of you that are dealing in smaller quantities of funds, you need to be partnering with the ‘Rachels’ or the ‘Daves’ of the world. These are great markets to be in and to partner in.

Also, when you're fixing and flipping, your capital is tied up for a shorter period of time. You can earn a big profit which means your net/net yield, carbon cash ROI is significant because your cash outlay is minimal. Flipping also eliminates the management and leasing risks inherent in holding real estate.

Example Number 1: We just closed on this first Fix and Flip example a few weeks ago. We bought this house at a foreclosure auction and it only needed paint and carpet. At the top is the before picture. You can see the telltale signs of foreclosure in the window. I couldn’t get into it so I looked for other major expenses, like the roof and aluminum siding, which were both in very good shape. The soffit and the fascia and the gutters and downspouts were also all in great shape. This house was all cosmetics.

We were able to very quickly go in and spruce it up. We put in sod, a sprinkler system, we painted the exterior door, and painted and re-carpeted the inside. We bought this one for $140,000, we put $15,000 in materials and labor into it, and then we sold it for $199,000. This house went under contract in one day, which was bitter sweet because it immediately told me that I priced it too low, however we got this thing sold and closed very quickly. We made a $30,000 profit in less than 90 days.

Example Number 2: This next house we picked up for $107,000. You can see that the roof and bones were in really great shape. The problem was that this house didn't have a lot of usable square footage, although the attic area was pretty substantial. So using that attic, we added another 850 square feet upstairs. Most people thought we were nuts because comps, prior to cutting off the roof and adding the dormers, were about $199,000. Adding another 800 square feet with a master and a big walk-in closet meant we were able to command $269,900. We had a full-price offer in less than two weeks. You can see how we carried the dormer from the back of the house to the front, which allowed for amazing views.

You can also see that a hoarder was living in the house. We hauled all the junk out and put in a beautiful kitchen. There was also an exterior entrance to the basement, which we utilized to give the house a walk-out rental unit. We put a one bedroom, one bath, a fully contained washer and dryer area, and a full kitchen in the basement so the buyer could rent it out. At a $270,000 purchase price, the mortgage is going to run about $2,300 with PITI. This basement unit will get about $750 a month, so the buyer will only pay $1,200 to live in a very nice community. This house turned out beautifully and we stand to make $35,000 on it. You may be thinking, "That's a lot of work for 35 grand!" However, when you have volume, and you stack the profits, you can make $65,000-$90,000 in just a few months.

I find a lot of these deals at auction. I bought this house at auction with my own money and then I immediately turned around and got a private money lender to put up $150,000 on it, which means I only had my money in this deal for a couple of days. Now, you may be thinking, "Lee, you have money. What do I do?" Well, there are a lot of people out there who have money, and are looking for someone like you who has time and expertise. You can either use your cash or someone else's cash for the acquisition, and then use Cogo's cash to carry it. I bought this deal for $107,000, and then Cogo gave me a loan for $150,000, which gave me my $107,000 back, plus it gave me $40,000 for the rehab. When I needed more money for it, I simply went back to Cogo and asked if a second lien lender would be interested in putting in an additional $50,000 into this deal. Sure enough, they did.

Cash is less important than creativity, and creativity is less important than a great deal. Every deal I'm showing you today is a great deal. When you have a great deal, getting money is really the easiest part.

Helping you achieve your financial goals

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How do you decide when to make major changes to the structure of the house like we did in example number two? The comps told us that if we did the work, we'd get the value.

Example Number 3: This was a house that I got on a short sale with the city of Spokane. We just finished it and staged it this Friday. This house was in really rough shape. When we first cleaned it out, we found over 400 hypodermic needles in and around the property. The city had boarded it all up.

We put new siding on the entire property, put on a new, front deck, and skim coated the basement foundation, which just means that we added a thin layer of cement, so that it looked like new. The back side was all torn up so we added stairs up to the back door. The meter had been pulled and there was no service coming in from the road to the house, so we had to get it reconnected. We also pulled the chimney out. Nowadays, you don't need a chimney because they are manufacturing such clean burning furnaces, which vent out through an exterior flue. We just ran the furnace flue out of the back, and eliminated the need for the chimney. This will go on the market for $129,900 and we bought it for $26,000 and put in a little over $49,000 into the rehab. This will sell quickly and we'll generate about $41,000 in profit on it.

Where to Look for Good Deals

Some of my clients tell me that they are finding great deals, but by the time they make an offer, it's already under contract. Often the problem is you're looking at deals that are listed with an agent. I'm an agent, so I'm not anti-agent, but as an investor, I'm anti-listed properties. Not a single deal that I'm showing you here today came from the MLS. I don't buy off the MLS if I can help it because all of the great deals have already been picked over. Most of these agents have investors that can write a check and pay cash, so they're going to call their investor friends first. It's a very, very difficult arena to plug yourself into if you're not playing with cash.

So how do you compete? How do you even get your foot in the door if that's the case? You go after non-MLS properties. And that's what I teach. I will never encourage you to use the MLS as your sole means of identifying or finding deal flow. For every one house I buy on the MLS, I buy 20 outside of the MLS.

One of the reasons that we moved so quickly on this house is that I'm making a case to the City of Spokane regarding their other 1400 homes in Spokane County that look exactly like this one. They're boarded up with plywood because of drug activity. I'm using this house as the poster child because I'm asking the city to give me access to those other 1400 properties. When I do that, there will be all kinds of partnering opportunities for those who have been up here and gone through the Lee's Inner Circle.

How Do You Find a Good Contractor?

I use Angie's List or Home Advisor. I think you can get some reliable information on both of those sites. I personally employ four full-time guys because of the volume that we're doing. You should also want to get to a place where you're doing volume like that so you can just employ a reliable team to do the work for you. In the meantime, here's the best advice I can give you. If you're going to be investing across state lines, outside of your own backyard, I would really encourage you to do it with local people who have been through our training, do it our way, and follow our schedule and construction time lines. If you'd like to get plugged into some of those folks or have me make a recommendation or a connection for you, we cover this in great detail at the Rehab for Riches Certification training. At this course, I give you contracts that you'll use with your subs, your contractors, your generals and anyone else you'll work with on your rehab.

Understand that we lend all over the nation and one of the things we pride ourselves on is helping our clients get connected with contractors, financing, and people we know who are in the business in one capacity or another. When you get involved with us, we help plug you into our network.

Example Number 4: This is one we bought that needed a lot of clean-up work. We bought it for $61,000 and sold it for $155,000. We turned it in less than 40 days and received a $40,000 profit, which, if you think about it, is about a thousand bucks a day.

Quick Strategy Lesson: The list price has no bearing on what you should offer for any given property. The only thing that matters when you're structuring your offer is what is it going to be worth? What is the ARV value (the after repaired value)? You need to look at what it will be worth fixed up and what you need to pay to make a profit. Who cares what the list price is? You need to be proficient at looking at present value, future value and then say, "If I do the following, I can command X." In many cases, I will pay more than the list price, for two reasons. One, I can justify doing it because there's still profit to be made. Two, by offering more than the list price, I eliminate competitors because I'm paying more than asked. Very few people will do that, which is somewhat shortsighted on their part because you're going to get outbid. That's a frustration that many of my clients have. If you're one of them, part of the problem is you're writing your offer based on a list price. Who cares what the list price is. What is it going to be worth after it's fixed up? What is it going to cost you to fix to up and what do you need to pay for it to make a profit? Whatever that number is, that is what you write the offer at, regardless of the listing price. Now, that doesn't mean that if I run my calculations and I can pay one hundred thousand dollars and still net net $40,000 on it, then I'm going to write the offer for a hundred when it's listed at $60,000. I'm going to offer $65,000. I'm going to offer $5,000 above asking because everybody else is going to be offering $45, $48, $50. Don't undercut the seller when the upside potential is already there. Don't try to gouge them when they've already priced it correctly. Unfortunately, most of the training and education companies out there are telling you to always offer 65 percent of asking price. Your maximum allowable offer (MAO) is ARV at 70 percent less repair.

You need to be proficient at looking at present value, future value and then say, "If I do the following, I can command X." In many cases, I will pay more than the list price, for two reasons. One, I can justify doing it because there's still profit to be made. Two, by offering more than the list price, I eliminate competitors because I'm paying more than asked. Very few people will do that, which is somewhat shortsighted on their part because you're going to get outbid. That's a frustration that many of my clients have. If you're one of them, part of the problem is you're writing your offer based on a list price.

How much will Cogo lend on after repaired? If you are not an Inner Circle client, we'll lend up to 55 percent of the ARV. If you are an Inner Circle client, we will offer 65 percent of ARV. if you are not an Inner Circle client and are curious how to become an Inner Circle client, just call 800-341-9918 and ask for one of our business development experts to explain to you how that program works.

Example Number 5. This is a property that I picked up at a foreclosure sale. It was already in

great shape and needed very little work. I say that tongue in cheek because we put about $25,000 into it, but it was mostly cosmetic.

The kitchen countertop was in good shape, it was just ugly. So we bought granite tile, and we tiled right over the top of the existing countertop and we kept the cabinets. We replaced the sink and the faucet with Costco brands, which will run you about $180. It's really inexpensive, but good quality. This light fixtures also came from Costco. We changed out the hood so that it would match the black and stainless steel oven. We painted the interior a nice two-tone gray. In the bathrooms, we did the same thing that we did in the kitchen and simply tiled right over the top of the existing countertops and kept the sinks, which were still in great shape. We just put in new faucets. You can also see how we staged this house. Do you see the little rubber ducky on the tub and the shower curtain? We actually cover this in great detail at the Rehab for Riches Certification training. We show you what all of these projects should cost from a baseline stand-point. Not only will you be able to intelligently tell your contractor what needs to be done, you'll tell them how long it should take and how much it should cost. We had this house under contract in just a matter of days. We bought it for $135,000 and put $25,000 into it, and sold it for $217,000. Net net net was $35,000 grand.

So… What's the Profit So Far?

We're already at $180,000. And I haven't even shown you all of the properties that we did during that period of time yet! I know that this presentation is entitled "How to make $180,000 in 90 days, but we often do much better than that. For many people, if you made $180,000 in a year, you'd be dancing a jig. You'd be giddy, right? The upside profit potential here is substantial and phenomenal and if you're not plugging into it, you're crazy. If you're actively investing already, I would encour-age you to turn it up a notch. Instead of doing one at a time, do two. If you've been doing two at a time, do four. Let's push this to the next level. I hope that that's why you're here, because that's why I'm here.

Quick Strategy Lesson: One of the things that I teach you prior to going to an auction is to identify what your highest and best bid can be, and then if you bid above and beyond it, you're bid-ding against your profit. It's really hard to push value. But I can tell you that our initial target sale for this house was $199,900. However, 30 days into construction, we realized that values had actually gone up. That's what I was talking about at the beginning of this training. When we are in an appre-ciating market and values are climbing and inventory levels are low, you can get more value as you get into the construction. So we listed this house for $217,000 and we received a full price offer on it.

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Initially I set the high bid on this house at $125,000 but I took the bid up to $135,000. Why? Because after we went out and looked at it and the neighborhood, we realized that it was in a really good market and area. It was a desirable home with less elbow grease involved. So we bid more aggressively to get this one. You are better having a deal that you're working on, than you are waiting until the next week or the next month to do a deal. Have you been missing deal after deal after deal because you're being outbid by maybe $2,000 to $4,000? If so, the question you have to ask yourself is, "Was not getting the deal worth not paying the extra $2,000 to $3,000?" Some of you have no deals under contract, no deals pending funding, and no deals going on the market for sale. Now, I don't want you to overpay for a property, but you need to look at the market and trends and know when and where you can push a little bit to secure the deal.

The Wholesale Strategy

We just discussed the sampling of the fix and flips we've done using none of our own cash or credit. But now I want to talk about wholesales. I'm a big fan of wholesaling and when I secure a deal, I try to wholesale it first. If that doesn't work or there is not enough profit margin, I rehab and retail it. In the previous examples, there wasn't enough margin to wholesale for a profit.

Why Do I Wholesale?

Wholesaling gives you a cash buffer while you're rehabbing other properties. What many people do is secure one rehab deal and then devote all their time, energy, and efforts to that one house. In the meantime, they are not actively sending letters, writing offers, or putting properties under contract. That one property consumes all of their resources and therefore has a huge opportunity cost attached to it. It's taking away from their ability to make money elsewhere for often 90 to 120 days (which, by the way, is too long).

You may think you shouldn't be writing offers because all of your funds are tied up in your one property. However, the houses that I'm going to discuss next were all wholesales, which means I never even owned them, or in some cases I owned them for a very, very short period of time using transactional funding. Cogo does not do transactional funding, but I have a lot of friends and peer groups that will. So if you need transactional funding, we can facilitate getting it done for you. Although Cogo won't be the lender on it, we will plug you into a transactional lender, especially if we can be the finance company for your buyer. When you wholesale the deal to somebody else, we would love to be the company that provides them the funding.

Quick Strategy Lesson: Being the wholesaler and the Private Money Broker on the same deal. This one strategy will make you a lot of money. If you overshot your budget on your rehab and you're scrambling to make some money, you should be out wholesaling. There is no faster way to make money. Wholesaling requires a great deal, not a great buyer.

Here is a house I bought at the auction for $86,400. I sold it for a net of $95,000. When you are a certified broker and you get this deal, here is the advert you place for an investor, “ARV $220,000 / Purchase Price $95,000, seller will carry financing and provide rehab money. Call Lee. 555-5555.” Who wants this deal? Most people would love this deal. As a broker, you can go to Cogo and Cogo will lend this borrower $145,200, which means there's plenty of money to pay your wholesale fee. So watch how this breaks down. $145,000 minus $95,000 leaves $50,200 and they need $40,000 for closing costs? Cogo wants 3 points and as a broker, you want 3 points. So you charge 6 points. Your wholesale fee is $8,600 and then you get 3 points on $145,200 which is another $4,356 as the broker. So on this deal that you literally owned for a matter of days, you can make two fees equaling $12,956.

The key to wholesaling is just knowing how to find really great deals. They're not on the MLS and all of these properties that I'm showing you here today are non-MLS deals. These are auction properties, probate deals, tax lien sales, or out-of-state free-and-clear owner transactions. Inner Circle clients know where we get these lists and what letters to send to them, what scripts to use, and what offers to write. Once you get it under contract, you do a net net on the wholesale pricing and then you arrange as the broker, the financing for the end buyer. What you need to know is that I did this deal while I was working on all of the other deals that I just showed you. So at any given time, I have anywhere from five to 10 deals in some stage of rehab or wholesale. There are no excuses as to why you can’t do the same thing. Twenty years ago, I worked at a grocery store and I made $3.90 an hour. I'm exactly where you are right now, 20 years ago. The difference is I learned that it's a false economy to think that working on one project at a time is a good idea. You have to always be working the Rule of 56, which is 25 letters, 25 phone calls, 4 offers written, 2 networking events attended. Networking events is where we can find prospective buyers of these wholesale transactions.

On this particular deal, Cogo did indeed lend to this borrower that I wholesaled the deal to. We gave them $145,000, made closing costs and fees on the loan, and got a check every month for the monthly payments. They are almost completed with the rehab and will list the house for $219,900. Net net they will make about $40,000 profit on this deal, and they are beating my door down asking for another one. When you wholesale and leave enough meat on the bone for the end investor, they are going to come back to you time and time and time again because you have great inventory and as a broker, you can help your buyer obtain financing. That's just smart investing.

Quick Strategy Lesson: When I go to the auction, I have two bids. I have a vacant bid, and I have an occupied bid. If I see that the ARV on a house is $200,000 – the formula works like this: take your ARV at 70 percent less your rehab costs. That's the formula. So my max allowable bid is a hundred thousand. If it’s occupied, the most I will pay for it is a hundred thousand. However, if it's vacant, I might take it up to $105 or $110,000. Why? Because if I buy it today and own it today and it's vacant, I can get my guys in there right now. You're not going to know rehab costs until you get out there and look at it, but at least you can begin right away and limit your holding costs. So if it's occupied, I will always bid very conservatively or less than max allowable. If it's non-occupied, I will bid more aggressively.

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Two weeks ago, I took a group to the auction. I bought a condo for $48,000. Same day I wholesaled it for $52,000. If it was occupied, there's no way I could have done that deal. So literally, in a matter of hours, I made four grand. One of my students bought a great house, ARV on it was $240,000 and she picked it up for $126,000. I offered her $135,000. Had she taken my offer, she could have made $9,000 in less than 24 hours. The reason she didn't take the offer is she got it for $135,000 and it needs only $30,000 in rehab, which means she's at $165,000. She'll be able to sell it for about $240,000. Net on this one will be anywhere from $40,000 to $50,000. She was more interested in the rehab profit than the wholesale profit. I told her she's nuts because she could have made a quick $9,000 and been out. But she wanted to see it to completion of construction. Everybody's got their own strategy, which is great.

This next wholesale deal, which I don't have a photo of, was a pocket listing, meaning an agent called me about it and it wasn't on the MLS. I bought it for $61,000 and the ARV on it was $115,000. I wholesaled it at $67,000 and made $6,000 in a wholesale fee. I also put the loan together for this borrower and I made another 3 points on the loan. So $74,750 (65%) at 3 is an additional $2,242.50. Can you see that if you're not a broker, you're missing out on a whole income revenue stream?

The guy who bought it from me didn't have a whole lot of money left and needed an additional $15,000 for the rehab. So Cogo did the first mortgage and I did the second mortgage of $15,000 through my self-directed IRA. This is a great strategy because now look at all my income streams. I'm getting $6,000 on the wholesale fee, I'm getting $2,200 in loan origination or points as a master broker, and I'm lending my $15,000 out at 8 points and 18 percent interest for 90 days. I make $1,200 bucks at 8 points and 18 percent divided by 12 times is $729. So when he pays it off, he owes me $16,929 which will go back into my IRA, meaning the $1,929 is all tax free. If you take $1,929 divided by $15,000, you get a 12.8 percent yield. However, when you annualize it (90 days happens four times a year), that's a 51-percent return, tax free, into my IRA. This all happened because I found the deal, wholesaled it, got paid to broker the financing, and gave him a second mortgage for his rehab. Do you guys see how many opportunities there are here? It's unbelievable.

So, altogether, during this period of time I made $38,000 in just wholesale fees. This does not count the fix and flips we talked about before, or the broker fees, or the points I made on lending out money. Can you see that you are sitting on an invariable gold mine here? If you were to work a deal from more than one angle, can you see how you can earn multiple streams of income on one single deal?

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So What's the Profit Now?

In the last 90 days, on the properties I've presented to you today, I made $219,900 using none of my own cash or credit. There is nothing that I did that you're not capable of doing. And if you haven't been doing it, it's either because you don't know how or you're afraid to. However, these numbers should be pretty compelling, right? Anyone can do this with the right training and action steps.

What You Need to Know About the Property

- What is it worth?
- What price can I get it for?
- What is the type, size, layout, and the highest and best use of the property?
- What is my maximum allowable offer?

What You Need to Know About the Seller

- Will the seller carry financing? I always want to get the seller to carry if I can. I prefer to leverage the seller's equity. Furthermore, if I can leverage the seller's equity and not have to borrow cash, then I forego all of the costs and fees of borrowing money, which I always prefer. I say that, even though I'm the CEO of Cogo Capital. On all of the deals I showed you here today, I used Cogo Capital's money to do the transaction; however, I asked first on every single one of them if the seller would carry. Even with Cogo in my back pocket, I want seller financing because it's cheaper than private funds.
- Why is the seller selling? What is their motivation?
- Is the seller willing to negotiate on price and terms?
- How long has he or she owned the property? The reason we need to know duration or length of ownership is we need to know how much equity they have. To understand this, ask questions like:
    - How much do you need to get out of

the deal?
- What are you going to do with the money?
- Why are you selling?
- If I could pay you cash, what's the lowest you'd be willing to accept?

How You Use Other People's Money (OPM)

You can use Cogo Capital because we don't care about your credit or your cash flow. We care about the deal. You can also use seller financing. With seller financing, you can use some or all of the seller's money to purchase and then use Cogo's money to rehab. It's called a subordinate second. Cogo comes in with a first mortgage and the seller carries the financing behind it. This is a great strategy that is unfortunately not being utilized frequently enough. Be aware that these deals are easiest when negotiated on for sale by owner properties and the best place to find these deals is Craigslist.

You can also do a lease with an option to buy or you can partner with somebody who has money. That's actually how I got started in the business. I partnered with my pharmacist at the grocery store that I worked at when I was still in my teens. I didn't have any money, my credit cards were maxed out, and my credit score was shot. You can do that too.

Are You Ready to Make $180,000 in Only 90 Days Without Using Any of Your Own Money but Instead Leveraging Mine and Other Lenders' Cash for Absolutely Free?

Would you also like to know:
- The direct mail campaign that keeps your phone ringing off the hook?
- How to estimate the renovation costs accurately in 20 minutes or less?
- How to structure the three-tiered offer?
- Why you should look for older homes rather than newer homes?
- How to eliminate banks altogether and attract millions of dollars of private capital to fund your deals even if you have bad credit?
- How to achieve 100 percent financing and rehab money?
- How to make sure you stretch your dollar to increase your end profit?

- The least expensive way to get the most return on your investment?
- The five deadly sins of rehabbing that eat away at your profit and why every rookie makes them?
- The nine home improvements that will make or break profitability?
- How to plan for the flip by scheduling correctly? We can show you how to avoid cost overruns.
- How to spot the highest ROI jobs?
- What most people do and why they shouldn't as it relates to the rehab renovation of a project?
- What properties I will fund and supply rehab cash for all day every day?
- How to stage a property, the psychology of curb appeal, how to appeal to the borrower or the buyer or the person who really wears the pants in the family (she knows who she is)?
- How to market the property for sale? We'll show you which selling months will cost you 25 percent, and which months will make you 25 percent.
- How to stack inventory to maximize selling cycles? That's really important in a market like we are in.
- How to decode zoning permits and insurance regulations? We are doing a lot more new construction, land development, and in-fill construction. You need to know how to do it, what plans and permits you need, and the time lines that make sense.
- How to pinpoint the best time to list?
- The 12 words to include in your listing that will earn you significant increase over your sales price?

On top of learning all of that, would you like access to:

- The ARV program introduction?
- The owner's duties for a construction project?
- The contractor vetting procedures?
- Contractor's questionnaire?
- The suggested items for inclusion in general contractor contracts?
- The preconstruction discussion items?
    - A list of subcontractors
    - A list of subcontractors' insurance coverage
- Typical progress schedule for an ARV project?
- Contractors' payment submittal package?
- Requirements for the after-repaired value construction work scope?
- Budget sample packet as well as the spreadsheet for the draw requests?
- The invoice/receipt log for draw requests?
- Mechanic's lien waiver instructions?
- Subcontractor material supplier progress payment release forms?

This is all of the information you need to be provide to your subs, your suppliers, and your partners when you're working a rehab project. I'm also going to give you the top 10 most important clauses to include in a construction contract, which includes payment, the pay when paid clauses, the project delivery systems and contractor design responsibilities, the differing site conditions, the dispute clauses, the liquidated damages, delay and extensions of time, indemnification and insurance, the notice-of-claim requirements, and the termination clauses.

If you would like all of this for free, you need to come to our next Rehab for Riches Certification Training. It's free because after attending this class, when you fix and flip your first deal, and bring me a picture and a testimonial, I will pay you back your initial investment in the Rehab for Riches Certification Program.

Another way to ensure that this training will be free is within 90 days of attending the workshop, if you haven't closed and funded your first deal through Cogo Capital, I will give you your money back for attending the training. Now, here's the only caveat to this. From the time you leave the training for the next 12 weeks, you must follow the rule of 56. That's 25 letters sent, 25 phone calls made, 4 offers written, and 2 networking events attended every single week. If you do that for 12 consecutive weeks, and you have not closed on your first deal within 12 weeks of attending that training, I will give you your money back. I'm not interested in you paying to attend seminars. I'm interested in you borrowing money on quality deals. I'm interested in you having the knowledge and education you need to find great deals.

The Missing Link

This is one of those training classes that you cannot afford to miss. Either you pay the $750 for the training now or you spend a lot more money rehabbing the wrong way, choosing the wrong contractors, using the wrong contracts, doing too much work to the project, and minimizing your profitability? You're going to pay for this training one way or another. I've always said if you think education is expensive, try ignorance.

We put the Rehab for Riches Certification Program together because we lend nationwide. We've lent out over a hundred million dollars to private investors across the country, and the area that we see the most negligence on is the rehab side. People do not know how to rehab the right way. They are not doing it to code, not monitoring or auditing their contractors as frequently as they should be, and are literally getting taken to the cleaners. We put the Rehab for Riches Certification Program together to ensure that you rehab the right way, on budget, and on time. We teach you what fixes will maximize retail sale value, so when it's all said and done, you actually get paid and make some real money.

Helping you achieve your financial goals

I just showed you how we made over $231,000 in 90 days. You can do this too, but you need to know what you're doing. That's what we show you at the Rehab for Riches Certification Program. I personally teach the bulk of it and I'm on the bus tour when we go out and actually walk through properties. You will not get so much access to me and my knowledge for so little money any other time. Why am I doing this? Simply because this is important. You need to know how to do this the right way. You need to know how to find these off-market, non-MLS deals so that you have more margin to play with. People who go to this class bring us more deal flow and they close more loans, which means everyone makes more money.

I look forward to seeing you at our next Rehab for Riches Certification Program. Until then, God bless and happy investing.

The Circle of Wealth

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

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

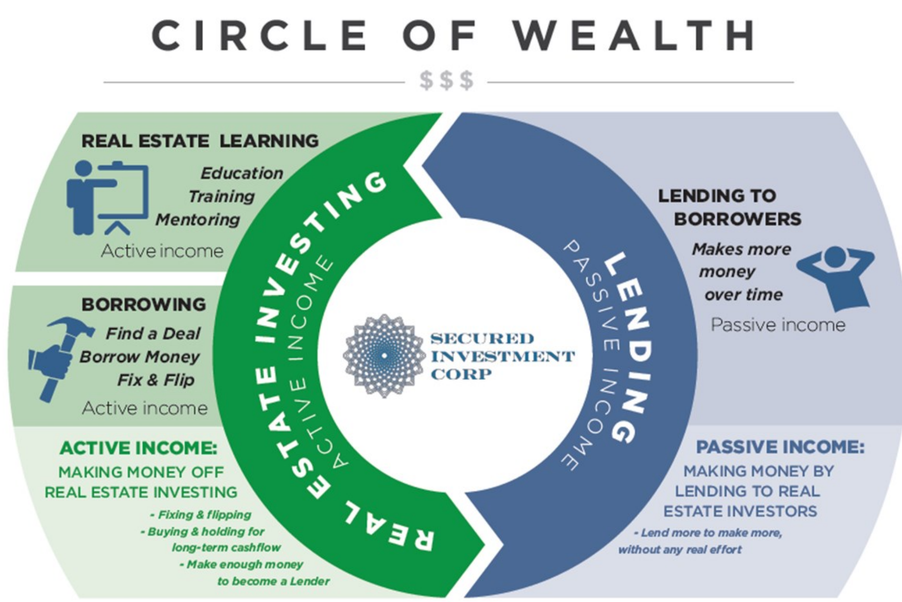
While the progression seemed natural, we were missing one, very large and essential piece of the pie. The marketplace was teeming with people who had the funds, who aspired to make higher returns on their invested dollar, but lacked the desire to get involved in real estate at the ground level.

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

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

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

This allowed everyone, on every side, to win!



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

We hope you're one of them!

Who Is Lee Arnold?

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

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

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

SMARTER INVESTING: Experience & Discipline

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

THE LeeArnold SYSTEM OF REAL ESTATE INVESTING

Corporate Office

1121 E. Mullan Ave.
Coeur d’Alene, ID 83814

800-341-9918