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The Circle of Wealth All-Stars

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The Circle of Wealth

All-Stars



Welcome to another installment of our CEO Fireside Chats. The goal of these monthly trainings is to instruct, inform, encourage, and hopefully entertain at some level. Today will be no exception because we'll be interviewing some of my Circle of Wealth All-Stars.

I have some of our top clients here today from various aspects of the business. Our goal as a company is to take each and every one of you through what we call our Circle of Wealth. Regardless of where you live in the country, of your educational or financial background, your credit score, or your credit history, we can teach you how to successfully invest in real estate. We can show you how to find great deals, and then we give you the funds necessary to acquire, fix and flip them with frequency so you can begin building up cash reserves. Once you have more cash than you have deals or you don't want to be actively flipping real estate anymore and you're looking for something a little bit more passive, we can help you

What is the CEO Fireside

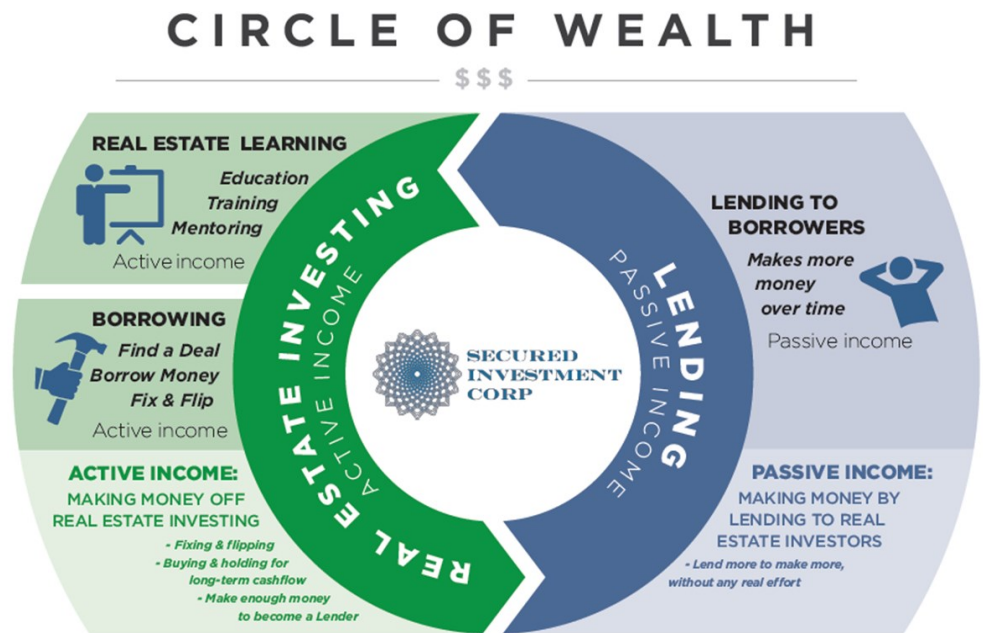


These monthly success-building, all content trainings help you overcome common obstacles and enhance your business acumen for further growth and development. That being the case, we only want 200 of the most serious, involved entrepreneurs on the call.

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become a private money lender with us and earn interest. Once you've done that enough times, you can become an accredited investor, which means you have over a million dollars in investable assets, excluding the equity in your primary residence, or you are making \$250,000 or more per year filing separately, or \$350,000 per year filing jointly with your spouse. Once you're at that level, you can participate in our Equity Fund and earn even more passive and diversified wealth. Today, I'm going to show you this process by interviewing some of our successful Circle of Wealth clients so you can hear and see how they did exactly what I just described.

Here is a graphic depiction of the Circle of Wealth. On the right-hand side you can see that we have lending. On the left-hand side we have what we call active income. This is making money off real estate investing. Things in this category include fixing and flipping or buying and holding for long-term cash flow so that you can make enough money to become a lender. That's the goal. To do that, you're going to need to find a deal, borrow the money to fix and flip it. Now, this is really exciting especially if you don't have any money or you don't have enough to fix and flip an entire property. We can lend you the money that you need to do it. We mitigate our risk in lending you money through various real estate trainings to help you become a better investor, buy better deals, make more profit, and use less of your own cash. The ultimate goal is to move you over to the right side of the Circle of Wealth where you now start lending money to borrowers.



What a lot of people don't realize is, they think that to be a private money lender, you need hundreds of thousands or millions of dollars. We have private money loans that you can fund for \$15,000 to \$50,000. They don't last very long because they are great starting points for first time lenders. As the lender, you have someone else doing the heavy lifting, the fix up and the repairs, while you're just getting a check every month.

Finally our ultimate goal is to move you into the center of the board where you then become a very passive investor through our private equity fund. Again, that requires you to be considered an accredited investor.

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*****Important Note about the Circle of Wealth Interviews***** We have left these interviews, for the most part unedited, to stay true to the respondents and the spontaneity of the process. We loved the honest answers and we hope you enjoy the genuine experience!

Meet the Circle of Wealth Lender All-Stars

We'll start the Circle of Wealth interviews off with one of our one-off and fund lenders. I want to introduce you to Vic and Cindy Perger. Here's a little bit of background on Vic and Cindy. They have invested \$664,000 in one-off notes. Now, that's not \$664,000 out all at once. It's, you know, 50,000 out in one note, then a hundred thousand out on this note, and 30,000 out on this note. But Vic and Cindy in the time that we've been working with them have done now 26 loans. They're average yield -- and I'm going to bring Vic and Cindy in here in just a moment. I just wanted to share some of the stats. Their average yield on the one-off notes is 14.84 percent. Now, this is a blended potential rate. I've got \$200,000 in our secured investment high yield fund 2 with a recent quarterly return of 15.2 percent and 188 six in our secured investment high-yield fund, which just had its last quarter return of 11 percent. So not too shabby. Now, this is Vic and Cindy's time line with us. So they started lending with SIC -- that's Secured Investment Corp. That's the parent company -- in June of 2012, and they were some of our first investors when we opened our first fund which was early 2013. In October of '14 we opened our second fund, and Vic and Cindy also got started with us in fund two. But they really started doing one-off notes with us. So these are just a handful of deals that they have done. This was a purchase loan. Investor was buying this property. They bought it for 82,500. They were putting \$43,671.81 down. They borrowed 58,500. Now, of course this loan was facilitated through our company. But Vic and Cindy lent the borrower 58,500, and Vic and Cindy earned 12 percent for the life of the loan and 2 points in loan origination going into this deal. Now, this loan has since paid off. So understand turn rate because as Vic and Cindy put this money out and then the investor sells the property, they pay off the underlying lender. Now, Vic and Cindy get their money back, and they can deploy it again. So another loan that they did was in Aurora, Illinois. This is currently an active loan that Vic and Cindy still have. This is two separate condos, both two bedroom, one bath. The investor bought these for 86,000. I'm. They bought them for 82,500. They appraised -- a cumulative appraisal of 133,500, and the loan amount on these is 86,775. So that's a 65 percent L TV. So they're well collateralized. Vic and Cindy earn 12 percent interest and 2 points in loan origination on these loans. That's 14 percent. And the investor used the funds to purchase the subject property, and they're in the process of fixing them and flipping them. And then the last one I'm going to mention, again, Vic and Cindy have done 26 loans. These are just three of them. But I wanted to share this with you because this is a loan to Kent and Terry McKee who are also our rehab funding all stars, and that's why this works, the Circle of Wealth, because here just in our presentation tonight, we have the lender and the borrower here on the same call. So this is a house that Kent and Terry purchased in Aurora, Illinois. They bought it for -- it appraised for \$95,000. They borrowed 61,750, again, 65 percent loan to value. 65 percent because Kent and Terry are Inner Circle members, they're Lee's Inner Circle members. So we can lend up to 65 percent to them. This is a three bedroom, one bath, 1609 square foot house, and that one is in the process of being rehabbed as well.

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So question number one, why did you choose or decide to become private lenders, and kind of walk us through the process as to how you got into this business.

VIC PERGER: Well, I sold a practice that I'd had 20 years in December of 2008. And if anybody remembers 2008 December, that was a rough time for the market, and we weren't very comfortable putting money into the stock market. And so we looked around and found some opportunities, first with a private mortgage broker, small, and then later with a company called CLS, and then eventually with SIC and we did that because we wanted to have a -- for one thing to have good returns obviously, but probably even more important than that, to have something that we didn't have to watch every day or every week. We do have to be aware of your loans, but you don't have to check them like you do a stock market, because, in my experience in the market, if you're not watching every week, you're going to lose money. So that is kind of why we decided we could get good returns and passive -- a passive role is what we were looking for, and the market was very tumultuous at that point.

LEE ARNOLD: Yeah, you may or may not know this, but I have some stock. I don't have a lot of stock, but, man, I got to tell you, when I invest in stock, I'm a nervous wreck because I'm checking the DOW price, you know, three times a day and did it go up, did it go down, and what's going on in the world economy. Private money loans, I have found them to be a little bit more, I should say less stressful.

VIC PERGER: Yes.

LEE ARNOLD: For me.

VIC PERGER: Yes.

LEE ARNOLD: Yeah. Okay. So question number two. What do you like about investing in one-offs versus investing in the private equity fund format? What do you like about each?

VIC PERGER: Well, first of all, and maybe you should define one-offs. That's a -- I had never heard that term before working with you. You're talking about loans. Somebody offers a -- or wants to borrow some money for a purchase, and you're borrowing it to them individually through you. And -- but that has a benefit I think that you've got a finite time frame, generally six months to a year, maybe a year and a half that it will be out there. At that point you should expect to be paid off. And so your money's not tied up for a really long time. And you also get to vet the loan pretty carefully -- be comfortable at least with the vetting of the loan that's been done by SIC. With the fund, the big advantage is that you don't have down time for your money. You're earning money -- you're earning interest continuously on the money. With one-off loans, you're going to be paid off, and then you'll have to generate another



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loan. Generally there's a few weeks lag time in there between getting checks in the mail. And so you have -- you have that. The fund also benefits -- I don't want to get into details. But because of the term that he was talking about -- he was talking about earlier, there's -- you get a little higher interest rate than you typically do on the notes.

LEE ARNOLD: Yeah. So thank you for clarifying on the one-off side, Vic.

VIC PERGER: Yes.

LEE ARNOLD: Because that's important. So, again, for you that are on the borrowing side of the Circle of Wealth, if you came to us and said, hey, I want to borrow \$50,000, and, you know, we just called Vic and Cindy directly and said, hey, do you want to just fund Arlene, for example? And they say, yeah, we'll lend Arlene \$50,000. That is a one-off. So it's Vic and Cindy lending directly to Arlene as a borrower. And that's really where the bulk of our lenders start out, you know, because you don't just meet somebody off the street and, you know, write a check for a quarter of a million dollars and put it into some private equity fund and hope that they are the real deal. So a lot of our lenders will do one-off loans first, direct lending through us. We'll kind of manage the process and the servicing of that. But to Vic's point, and this is a very good point. When you're in a one-off scenario, I've always said the worst day in a lender's life is when they get paid back. And the reason I say that is because when you get all your money, now you got to redeploy it. So if I put money into a loan for 12 months that pays, you know, religiously like clockwork on time and then all that money comes back in, if I got to go out now and find another opportunity to put the money into, my money could be idle for 30, 60, 90 days or longer, where in the fund environment, you're always getting that minimum preferred rate to the investor. So very good points, Vic. Thanks for that.

I also want to mention to those listening here, if you have questions that you'd like to ask Vic or Cindy, go ahead and type them in, and I'll figure out where to fit them into the schedule here.

All right. Vic and Cindy, question number three. What do you like about the servicing and asset management supplied by Secured Investment Corp?

VIC PERGER: I'm going to let Cindy handle this one because she does more with the day to day work that.

LEE ARNOLD: Okay.

VIC PERGER: -- would man tore results.

LEE ARNOLD: Perfect.

CINDY PERGER: I've worked now with four different servicing companies, and the services you provide, I find it much more -- well, it's much more full service -- servicing. I like the fact that the late notices are going out automatically. I don't have to remind someone to send one out. I like that there are collection efforts started on our behalf without us needing to keep track of that. I like the

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fact that, if I have a question or a problem, I know exactly who to call or e-mail. If I choose to e-mail, I generally have a response back in about five minutes, and I've never dealt with any other company where I can get answers that quickly. So those are a few of the things that I find set your servicing part from others that I've experienced.

LEE ARNOLD: I appreciate that. Have you ever attempted to service your own loans?

CINDY PERGER: We have one currently that is a mess. This was not one through you. This was from way back when, and we are currently servicing it ourselves, but that's because they are chronically delinquent, and until they start making payments again, the servicing company doesn't want anything to do with it.

LEE ARNOLD: Oh, wow.

CINDY PERGER: So if we can get them off the mark and start making some payments, then it will go to a servicing company. At this point, we're basically a collection agency for ourselves.

LEE ARNOLD: Oh. Now, Cindy, maybe you could address this because, you know, if I'm new, if this is my first call, I've never heard of Lee Arnold or SIC, you know, and I'm hearing about chronic late pays and foreclosure and collection, you know, how do you -- how do you mentally mitigate getting involved in this business? Because all that stuff you just said sounds really scary. So what would you say to the person that might be thinking about lending? How would you encourage them to get over that?

CINDY PERGER: I would say probably the biggest and most important thing to know is what the company who is helping you obtain those loans, that you can really trust them. You need to know what their underwriting standards are, what their appraisal practices are like. This loan that I was referring to was one that we had obtained early on in this adventure. At that point the real estate market was in a tailspin and so appraisals really had not much validity, and that was this case. There were not comps in the area, and they went outside the area for comps. So the appraisal was poor. We didn't know enough about appraisals at that time to really pick up on that. And the company we were dealing with had very loose underwriting standards at that time. So since that time, we had not had a loan that, if someone did quit making payments, there was still far and away enough equity there to protect our investment.



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LEE ARNOLD: And have there been loans that you have had to foreclose on and take back and then manage the asset?

CINDY PERGER: Yes. Yes, we have done that.

LEE ARNOLD: Any of those that turned out really well, and any of those that turned out really poor?

CINDY PERGER: We have one in progress right now from back in 2009 is when it was originated, and we have managed to rent the property for a little more than what the interest was that we were getting on the loan. And it's currently under contract. It should close by the middle of October, and we will have doubled our principle by the time we sell that one.

LEE ARNOLD: In 2009. So 2000 -- or 2016. So 7 years you doubled your money?

CINDY PERGER: Yes. Plus -- plus we've gotten rental to equal or better than what the original interest rate on the note was.

VIC PERGER: Plus interest for a while, you know, until it went bad. So -- but the principle has been doubled.

LEE ARNOLD: And when you blend your interest rate over the life of the loan, what kind of yield were you making on your money while you held the asset? Was it 10, 11, 9?

CINDY PERGER: The -- probably between 10 and 11 percent on that one.

LEE ARNOLD: Okay. So you were averaging 10, 11 percent for the seven years that you held the asset, and you sold it for twice as much as you put into it.

CINDY PERGER: That's right.

LEE ARNOLD: Wow. Okay. That's great. So question number four --

VIC PERGER: I wish they were all that good, Lee, you know.

LEE ARNOLD: Well, you're right, Vic. Because I didn't let you answer the second part of the question which was did you have any bad -- do you have any horror stories?

VIC PERGER: Yeah, we do, but we'd rather not go into them actually. It's depressing. But the one that Cindy hold you about that we're working with in our -- you know, not making a lot of progress, that's probably the worst.

LEE ARNOLD: Okay.

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VIC PERGER: And there have been other ones where we've made money on the property in principle. On our principle we've made a capital gain on the property in addition to getting interest. So there are good ones, and then there are bad ones, and then there's a lot of in between that are just -- you're making your interest and you get paid off. So....

LEE ARNOLD: Yeah. Okay. So question number four, what has your experience been with the underwriting team here at SIC and how does that compare? And Cindy, you started touching on that a little bit. But being with four -- doing this type of business with four other firms or entities, you have a pretty broad understanding of what's out there. So what would you say has been your experience with the underwriting team here?

VIC PERGER: I'll answer that first, and Cindy can answer it too if she wants. We've been very impressed. I'd say initially when we started there was -- there were some loans. We had two or three that went bad and had to be foreclosed on. We were actually taken out with an insurance that was available at that time. So we didn't end up having to go through the whole foreclosure process. We got paid off. But that's another story. Since then, you brought on a gal by the name of Terry who is an excellent underwriting I thought, did a very good job, and then recently Doug is working with you and he's outstanding. He's got a ton of experience in the whole gamut of making loans. And we've also listened to a lot of your presentations about your underwriting and it just does seem to be what happens. And actually a few months ago we had an opportunity to sit in on one of your staff meetings on loans that you have I think once a week or something, and --

LEE ARNOLD: Uh-huh.

VIC PERGER: -- it was very informative to hear the back and forth about people making different points about whether we should loan to this person or not and what kind of a borrower they would be. And you can see there's a lot of experience and a lot of knowledge that goes into it which is why I would never want to originate loans. I just don't want to -- I don't want to learn -- I don't want to have to learn that and probably learn a lot of things the hard way. So that's why we pay you in the form of -- of your points and things. That's what we pay you to do, and we're very happy with your team.

LEE ARNOLD: That's great. Thanks, Vic. Cindy, did you have anything to add to that?

CINDY PERGER: No, I think he covered it pretty well.

LEE ARNOLD: Okay. All right. Mary has a question that's kind of off script here, but she says, why not lend a gap lender 18 to 20 percent ROI for a period of six months when you also have a hard money loan for 65 to 70 percent of principle with a hundred percent rehab? Why



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would you not lend a gap lender 18 to 20 percent ROI for a period of six months? I'm not sure I understand the question, Mary. So if you could rewrite that and expand upon that. I do want to address questions from our listening audience. So, Mary, give me more data on that.

While we're waiting on Mary, let's go to question five. And this relates to Heather Dreves. She's our director of funding, and Heather not has been about our company, oh, four years I think. But you have actually known Heather and we met you when we brought Heather on to join our company. So your experience with her goes back a lot further than even our company. But we have a lot of people here that are new lenders. They don't have the same experience with our company or with Heather. So what's your experience with Heather been like?

VIC PERGER: We -- we love Heather. She's -- you talked about family, and we consider her a very good friend. She has walked us through a lot of what we've learned about lending and being the funding end of it, in other words, dealing mostly with the lenders, that's who we -- our contact person there. And she's a wealth of knowledge, and a very, very pleasant easy to talk to and ask questions of person. I just -- just absolutely -- we just absolutely love working with her. And that's something I don't say very often.

LEE ARNOLD: That's great. Yeah, she's been a great addition to the team, and we're thrilled to have her.

All right. Talk about your experience now with SIC. And can you address this from the standpoint of, you know, you came to us through Heather, and, yeah, at that point you'd been working with Heather now six years, but now, okay, Heather's gone to this new company in Coeur d'Alene, Idaho. Who are they? I mean, what was your process of kind of doing your due diligence and vetting us out to the point that you felt comfortable doing loans with this new company in Coeur d'Alene?

VIC PERGER: Well, I got to admit, Lee, that your style is very dramatic and a little overwhelming sometimes for some of us that don't have that style. And so we were -- we were cautious initially because we felt, you know, who is this person that claims to know a lot of stuff about real estate and claims about how we can make money? We -- I guess it was a gradual process. It was certainly helped by the fact that Heather was there, and she vetted -- she would vouch for you and that was -- meant a lot to us. But also as we listened to you and went to a couple of the big meetings that you have, we grew to like you pretty well and to trust you. And I think integrity is key in this business, in most any business, but certainly when you're putting large sums of money in somebody's hands and expecting a certain return, it requires that you really believe this person does what he says he's going to do. And it's been our experience all the way through that you have done what you say you're going to do and sometimes even more. So it was a gradual process. I think it probably took -- if you were to ask us to borrow into the fund the first six months, we probably wouldn't have because we didn't know you well enough then to do that. But I think within the first six months or year, we've come to not question our decision at all to put money with you.

LEE ARNOLD: Well, and I think that's an important distinction too, Vic because, you know, a lot of our listening audience, you know, they have been, you know, they have been introduced to this

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concept of raising their own private money and putting together their own private equity funds and going out to these networking sessions and getting people to lend them money, and unfortunately, I think a lot of these training programs do a disservice from that regard because it doesn't really happen that quickly. And, yes, asset-based lending is asset-based lending, but, you know, really even though your money's collateralized against the property, it's still the person ultimately that's either going to perform or not perform. And I think that you and Cindy -- you know, and I remember you when we first started working with you. You were coming to our funding tours, and you've been to our specialty training and lender camps, and I'm always fascinated when you are there because you're very successful in your own right. You've done well. You're smarter than me in so many areas. But even with all that, you still come and you participate, and you just really do your due diligence, and I think that's great, but I think it's a lot of people are under the impression that this is just going to happen overnight, and I've never seen it happen that way.

VIC PERGER: We actually did flip a couple houses years back. This is probably 25 years ago? And -- in the early '90s. And it taught us some things, and it taught us what we didn't know for sure, and, well, we did make some money. And it is fascinating. I'm in a stage of my life where I don't really want to work that hard anymore. I prefer the passive side. But we -- I am very interested in the whole process is why we've gone to some of the funding tours and things because it's always -- it's always illustrative and informative to walk in somebody else's shoes for a while and see what decisions would have to be made from that end to -- not that you're going to vet every borrower to that degree. You want to make sure they have that. That's kind of your job as the broker and facilitator of these things, but it's still very interesting to me. So, yeah.

LEE ARNOLD: Okay. Great.

VIC PERGER: That's why we come to the funding tours.

LEE ARNOLD: And just for the record, Vic, I want to make sure we get this. You said my style is loud? Is that what you said?

VIC PERGER: No. I didn't say loud. I think I said -- maybe flamboyant would be a better term of art. Certainly interesting. But what I -- what really convinced me I think is that I like it when you can ask a question of somebody who is up there talking and they can answer it. And I've never seen you not be able to answer a question, and that's hard when you're standing in front of a bunch of people and you're put on the spot on a question and maybe obscure on it and your depth -- your knowledge is not only wide, but it's pretty deep in terms of the real estate market, I think. So that is what I -- that's what I probably should say about it. The first impression was that you were flamboyant, let's say.

LEE ARNOLD: I'm totally going to edit that word from the tape.

VIC PERGER: All right. That maybe has different meanings. I don't know. Just I'm not very good at expressing that.

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LEE ARNOLD: No. It's great. Okay. Question seven here. What has been the risk versus the reward nature of this kind of investment and why do you feel that it's worth it? And this is for you personally.

VIC PERGER: Well, the reward is kind of a known in this, at least the expected reward is your interest and points. And that's what you're going for. The risk is a little harder to get a grasp on. It's obviously the person's going to not follow through on the loan and pay interest or be late or not pay at all and have to have foreclosure done. You have to mitigate that risk with good underwriting, number one, and also watching and/or being kept aware of what the status of the loan is. Again, I go back to the fact that this can be a very risky investment area if you're dealing with -- if you're trying to do the underwriting yourself and you're not experienced or if you are going to deal with someone who isn't very experienced in all facets of the underwriting process and vetting the borrower itself, the properties, the appraisals -- everything. That's -- to me, that's the risk. And we are buying a service from you that mitigates a great deal of that risk in our minds. So that makes the reward -- I mean, if I was in the market and I could get what we've gotten in the last six or seven years we've been working with you in the market, I'd be pretty happy, probably real happy right now. And yet we're getting that without the risk of a 10 or 20 percent or 50 percent drop in the market. So that's -- that's why we like what we're doing and that's why it's worth it to us to put the money out there.

LEE ARNOLD: Yeah. Okay. All right. Question number eight. You invest out of your self-directed IRA. Why do you choose that format?

VIC PERGER: That's pretty much we had money -- or we put a bunch of money into a Roth IRA and Roth IRA, you've paid your taxes on that money. So anything you earn with that money is non-taxable. So that means we make, what, 11, 12 --

CINDY PERGER: Fifteen.

VIC PERGER: -- 15 percent interest on the money, and it's not taxable. And that's really hard to find that kind of a return. So that -- and because it's money that -- it's a limited amount of money compared to our overall investment portfolio, we want to make that money be as certain to perform at that level as any so we aren't putting any one-off loans in that position. Some people do. And, you know, to make a lot of capital gains, it's great. You don't have to pay as much on capital gains taxes or -- any money on the capital gains. But if you have a bad one, then you've lost valuable asset because that's money you've already paid taxes on and is now in a tax free account. So you want to make that as sure fire a thing as you can, and when you can get the kind of interest we are, that's a real bonus.

LEE ARNOLD: I'm a big proponent of investing through the self-directed IRA. My wife and I do it. I think it's a great tool. We've actually set up CESA accounts. That's the Coverdell Education Savings Account for our kids so we are -- my kids are actually lending and my kids are -- I've got twins that are nine and a younger son that's eight. They're investing through our self-directed IRA, which is a SDRA or Coverdell Education Savings Account which functions like a SDRA for kids. And I'm just curious how many of you out there listening right now have a self-directed IRA that you're ei-

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ther buying real estate in or you're investing in loans in or you need to do something with it. So if you all would now, please, just go into the question portal there and say, yes, I've got a SDRA and I'm buying real estate, yes, I've got a SDRA, I'm investing in notes, or, yes, I've got a SDRA and I need to deploy it, or simply, no, I don't have a SDRA, but I need to get one.

Okay. Vic and Cindy. Last question, what would your advice be to someone just getting started in private lending?

VIC PERGER: Well, give you mine, and then Cindy can chime in with hers. I would say number one, first and foremost, you want to find somebody that you can -- you're very confident you can trust to do the work in getting you good loans to invest in. Now, that's -- you know, that might be personal reference from people. That may be doing a evaluation personal evaluation of the person that you want to -- but it helps I think to be established some, to have a track record to say, okay, what percent of your loans that you generate go into foreclosure, what percent are late paying. Those kind of questions kind of will give you a feeling of how well -- what kind of loans this person is putting out, and that's really what your -- what your risk is. And so you have to be sure that their -- the underwriting and their -- as I said before their integrity is such that they don't tell you something that they don't know to be true and that they do what they say they're going to do. So beyond that, you have to evaluate obviously is this the kind of -- do you want to do passive investing? Would you rather take your money and invest it in something that's going to have a bigger chance of a capital gain? Those are questions that you have to get out of the way before you start. But once you decide you want to do private money investing, then 90 percent of your thing should be on -- of your attention should be on how -- is this a person that I feel comfortable investing with in their team with them. Are they the kind of people I want to invest with? That would be mine.

CINDY PERGER: And I would add that, after you've found a company or a person that you feel comfortable with, get to know the loan application, the appraisal that's done on the property. I typically will go to Zillow and Trulia and everything I can find about that property on Line, checking comps and that kind of thing myself. It just gives me a little bit more confidence going forward. Even little things, like where is this property? If I had to foreclose, what would my process be? Would it be a two-year process? Would it be six months? Would it be 60 days? These are all good things to know going in because the more knowledge you have about that, the better you sleep at night.

LEE ARNOLD: Yeah, and that's a really important point, Cindy, you know, and a lot of people miss that. In fact, you know, I'm dealing with some clients now that went to one of these seminars where they were selling what they called turn key or cash flowing houses, and so they were being encouraged to buy these properties out of their self-directed IRA from the standpoint that it was going to be a cash flow strategy, and, you know, the rental income was 850 a month and they're buying this house for \$70,000, and they think, oh, okay. Well, that makes sense, I'll just write you a check for 70 grand out of my IRA. Well, everything's really going well until the tenant stops paying, you've got to evict them, and then they now go in and go, well, gee, I wonder what the house is worth. And they're finding that these houses have fair market values of 35 and 40,000 bucks that they paid \$70,000 for them, and the same is true in the loan business. So I think that's great advice to every-

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body. You know, when a company or group comes to you and says, hey, will you lend money on this? Go to Zillow, go to Trulia. These are websites that are available to anybody, and it doesn't take a lot of time. Just put in the address and see if what they're telling you is value is actually what is being represented in the open market. So great advice, Cindy. I wish more people would do that. But it's fascinating to me how people often just go by blind faith, and I just think that's pretty reckless.

VIC PERGER: Yes, it is.

CINDY PERGER: Yep.

LEE ARNOLD: So very, very, very good points. Well, Vic and Cindy, I just want to say thank you for your time, for your input, and thank you for your business. We have enjoyed working with you over the last four and five years. We appreciate the loans, and I know that everybody you lent money to on the borrowing side are very appreciative. Kent and Terry McKee who are here on the call tonight, you actually lent them money, and we're all just very grateful for your business. So thank you very much for being here.

CINDY PERGER: You bet.

VIC PERGER: To you for what you've taught us and for what you've done in getting us good loans.

LEE ARNOLD: It's been my pleasure. I enjoy it.

Circle of Wealth Private Money Broker All-Stars

I now want to take you to another aspect of our Circle of Wealth which is being a certified broker. You know, as a lender, the challenge that you will always face is having enough deal flow coming at you, and by deal flow, I mean loan or funding opportunities that you can put money into. Now, a few years ago, I had gone out to Wall Street, and I met with Fortress and Colony Capital and Ellington, and just some of the largest private equity and hedge fund firms over in on Wall Street, and I showed them what we were doing, and they loved it, and we were working on a \$50 million line of credit. And as we were looking at this line, we said, now, wait a minute, if we just sign on the dotted line for 50 million bucks, we now have to deploy that money. So we looked at it and said, okay. How are we going to deploy this capital? We need an Army of people that can bring in deals. So we created what's called the certified private money broker certification training course. And over the last couple of years, we've certified some 1500 brokers across the country,



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some that are very active, some not so much. We'd certainly like more of you that are certified to be bringing in more deal flow. But what's great about this program is that you don't have to bring your deals to us. You know, as a private money broker, you are an independent. You're going to establish your own clientele. You're going to build your own book of business, and essentially you go from attending a real estate investment seminar or a real estate REIA club meeting as just another attendee to now being the bell of the ball that everybody wants to talk to because you're now a private money broker, and it's through you that these real estate investors gain access to more and more capital. So we've taken a part of our constituency, our clients, our customers, and the families that we serve, and we have certified them to be private money brokers out in the market. And I want to introduce you to one of our brokers who's been doing some really great things. Her name is Joan Hawthorne, and she is with her husband Robert. They are over in Cary, North Carolina, and I want to share a couple of things with you as it relates to Joan and her time line with us. Now, back in September of 2013, Joan became a private money exchange affiliate. Now, in '13 we were inviting people to become affiliates of our then company, private money exchange, now Cogo Capital to just bring us deals. But what we found is that these private money exchange affiliates were simply sending us a name, e-mail, and a phone number. They didn't know if it was a deal. They didn't know if the borrower was qualified or competent. They didn't know if it was a good loan or a bad loan. And we said, you know, what? We need to do a better job of training our brokers. So we created what's called our Inner Circle mentor ship. This is where we usually have groups of 12 to 15 people who will fly up into the Pacific Northwest into the Spokane market where I do the bulk of our investing and come out here to the corporate office, and we spend three days with you teaching you how to buy, fix, and flip real estate in our market. Joan and Robert have attended our funding tour in San Diego, California, and then they came to the Las Vegas broker certification training where they got certified as brokers and then in 14 they joined my Inner Circle and since that time they've become master brokers in 2014, they've done a five-day broker on-site mentor ship. That's where Joan actually flew out to our corporate office, sat with our loan officers for a period of five days, and we just put her into the but pen and treated her like one of our own, and she did a fantastic job. I'm currently working with Joan and Robert in my personal mentor ship training program. And they're also now in our summit. This is my master mind which comes from Napoleon Hill's book "Think and Grow Rich," the power of the master mind. Joan and Robert will be at our 2017 master mind summit. So I'm very excited to have them in that program.

Some recent checks that Joan has received just on some loans that she's brokered, and what you will notice about these checks is that none of them were actually with Cogo Capital. And I show you these simply to illustrate as an independent private money broker, you don't have to and are not required to bring your deals to Cogo. Your responsibility, your fiduciary obligation to your client, to your customer, to your borrower is to get them the best loan terms, the lowest cost of capital, the longest possible payment plan that you can, the highest LTV that's available because you are representing them. I mean, you're going out into the marketplace. Now, I will tell you as a result of Joan and many others not bringing these deals to us, we have decided now to run a campaign called beat any competitor's price. So we did that in hopes that we can encourage Joan to start bringing some of this business our way. I mean, here's two checks. She made \$8,000 on that deal. This one was 2340 - \$2,324, \$1,888, and just doing some very cool things. This was an e-mail that came to us from Gary Myers. He is our VP of broker development. And this is what he sent out. We have what's

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called CDA all. So this is where anybody internally within the company can send an e-mail, and then all of our team members are able to see it. But this is an e-mail that Gary sent out. It said, hello all. I hope your day is going well. I just got off the phone with Joan Hawthorne. She was so excited and couldn't wait to tell me. She just brokered a commercial loan, made \$4,000 at close yesterday. She's getting 2 points for a total of 8 grand or -- it was a \$400,000 loan, she made two points, and he says I'll be getting a copy of the check soon. Joan's brokering business has been picking up. She just closed another deal two weeks ago and received a check for \$2,500. In the month of May, Joan made \$10,500 in brokered loans. She also partnered on a rehab where she'll potentially make another \$20,000 when it sells. Joan is thankful for all the training that we have provided. So very nice e-mail going out here.

LEE ARNOLD: I love that. Is Robert joining us,

JOAN HAWTHORNE: He's here as well.

LEE ARNOLD: So, let's jump right into the questions here, and again, I just want to remind our listening audience, if you have any questions for Joan and Robert, please be writing them down as I'm going through my questions so that you can see this. Okay. Question number one, Joan and Robert, why did you become a private money broker?

JOAN HAWTHORNE: Well, Robert and I were training in the real estate part and the brokering came out, and my past of working in I guess system of some of the paperwork sensitive paperwork I had to work with, it seemed very logical for me. And so I knew where my other limitations might be, and I knew that this is an area I would be comfortable with and being -- working with people for the last -- I can't remember how long -- in every different job, people oriented, I just felt this would -- this would work, whether I saw them face-to-face or did not, it would work, and I would make decent money, make them happy, and make money, you know, just in doing this process. So there really wasn't a limitation to it. At least in my eyes there wasn't.

LEE ARNOLD: Okay. And what was the ah-ha moment that allowed you to start making money? Because, you know, when we look at your history and kind of your time line, you have been involved with us going back to 2013, but it looks like as I'm looking through your checks and your success stories here that you just really started turning on the fire. So what --

JOAN HAWTHORNE: Uh-huh.

LEE ARNOLD: -- what was the catalyst that you feel was kind of the kick start or the jump start that you needed to get this thing going?



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JOAN HAWTHORNE: Well, what everybody will learn while they're trying to do this and start up is there's no limitation to who is looking for money. Everybody is looking for money. If you go to a REIA meeting, the first thing that comes out is don't get up here and ask for money because everybody is asking for money and looking for it. So that's one thing that you have to get in your mind that everybody wants it. This is a product that you can easily -- or attempt to give to everybody depending on their deal and the numbers and just keep that in perspective. It's real. It can be a career. It can be second money. It can be a hobby. It's not focused on male or female. It's for yourself, it's for others. And you make everybody happy in what they're wanting to accomplish when you're able to provide this to them.

LEE ARNOLD: Okay. So your ah-ha moment was that there's no limitations, there's no boundaries, there's no --

JOAN HAWTHORNE: It's not any kind of person. It's everybody that is in this particular focus that wants to be able to lend and work in real estate or in commercial deals, whichever. This is a -- it's bigger than people realize. There's a lot more out there that are in this frame of mind than not. And so money is needed, and it is certainly sought after, and you have to find who is looking for it, and you can make both of you win in this situation.

LEE ARNOLD: Yeah, and you know, it's a good point, Joan, and I don't know where I saw this or read this, but the statement was every day the federal reserve processes over a trillion dollars in money coming in and money going out. And they said the difference between the successful and the unsuccessful is that the successful identified where to plug into that one trillion dollars a day that's already flowing through the system. And I think that that's what's really important about the private money world is that people understand, you know, good market, bad market, people are always buying, people are always selling, people are always borrowing. There's always a need. And you know, as we've gone through, you know, various rounds of due diligence, as we've gone through fundraising, through Wall Street firms and banks and other companies, you know, the question that they always want to ask you is what is your back up strategy? You know, what are you going to do when the market turns and suddenly real estate's not doing so great? I said I'm going to make more money because, you know, the market is always changing but the opportunities are changing too. And the thing I like most for me, and now I'm asking my own question. The thing I like about private money is that it works in all market cycles. Whether the stock market is up or down, it works because there's always money to be deployed, and there's always deals to deploy it into. So, good.

All right. Question number three. I want you to go back, Joan, to the first deal that you did and talk to us about the mistakes that you made and what did you do wrong and what did you do right? Walk us through that.

JOAN HAWTHORNE: Okay. The first deal I did was in Georgia. And it was a very small price on the house, and it needed a lot of work, and it's still going on. The loan is still -- it's a two-year. And I guess my mistakes was probably not having enough confidence because this is my first one and I had somebody that said yes. And so I was really excited about this. And just to go through the steps

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and learn the steps and get all the things that are needed in the list because I wasn't master broker then. I was just certified, and I wasn't -- I wasn't -- no accomplishment to it before. And hearing it and doing it were two different things until you really put it into practice. And so getting everything that was on the checklist and understanding why it was going to cost this and what I had to look for and what I had, you know, to get in solving all the problems that we needed to get this loan through. And it was a Cogo loan. And just getting -- getting through the repairs and, you know, where is the money that you have and all of the sudden money shows up and it's just asking the right questions. And then all the sudden it got a lot easier once we accomplished the checklist, and it just showed the system had to be there, and that was probably one thing that I was following but probably not seeing some inside things I probably should have seen. So that was probably that in confidence and probably respecting what this funding is and understanding what is needed to get it done. And for them and you know for the lender and for the client and for yourself to win.

LEE ARNOLD: Was there any time through that process that either the conversation about money scared you or just money in general? I mean, you closed a \$400,000 commercial loan, Was any part of that scary?

JOAN HAWTHORNE: The first one was scary. I'm not going to say it wasn't because a lot was riding on me accomplishing my first one. My first one showed me that this can really be done, which was important to me. Yeah, it was going to be a cost thing, but that particular property with all that had to be done was going to cost, and we all had to understand that this is what the process is. And I've been -- it's a good learning curve for me on that kind of a property to understand. And it's now rented and, you know, doing well and everybody's happy over it. And I felt good about it after -- after I went through the process even though it was -- I don't want to say it was easy. It was tough. But I had to learn the curves to it. And so things will get easier after you do one. And everybody's got to try to do their first one. So.

LEE ARNOLD: On the note of doing one, let's go to question four here because I think it ties in well. What was it like doing your second deal, and why was your second deal easier?

JOAN HAWTHORNE: The second deal was easier because I knew the process better. I knew what to expect. Even though I was following the checklist and saying this is what we need and all this, there was probably more things -- and I'm still learning -- because this is always learning. It never stops. You have to keep improving, and so it just got easier and I knew the questions a little bit better. I was more comfortable. They came to me because they wanted this service. And I was doing everything that I could to make this happen for them. And it was -- it was not just me winning. It was, yeah, they're going to win and they're going to tell other people and, you know, they're going to come back, and it's going to be a -- a winning situation and just kept ongoing because they weren't going to go to a bank. And they were going you know, go privately. So why shouldn't I be the one that does it? So that's how I started. And if it's not me, it's going to be another broker. So I got to keep going.

LEE ARNOLD: Well, and I think that's a really important thing, too, Joan because you -- as a broker, you're not exclusive. So the borrowers themselves have options. There's more than one broker.

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I'm a broker. You're a broker. We're all brokers. But you've got to look at it from the standpoint of they're all looking for this service. And it really is a service that you're providing, and that is knowing the process to underwrite the file correctly and knowing which lender has an appetite for that particular type of product. And I would say probably more than any of the other brokers I've encountered you've gotten really good at knowing which lenders are going to take which deal. So let me jump here into question number five and that is you've used both Cogo Capital and other private money sources. Can you explain why you keep your options open?

JOAN HAWTHORNE: Because not every deal fits every lender. And you -- you have to look at what the parameters are of that deal, maybe where it's located that will fit. You just -- you just have to look at them and see what their feelings are on how they're representing you if you want to make sure that you're giving them the best you can give them, and then you'll get long-term business from them as they, you know, come back and ask you questions and you know, even just call and talk about something they're looking at. And I think that is important. Plus, if it's a commercial, fitting a certain thing. If they're in behind, you know, on their payments or, you know, whatever it is, on the purchase or a refi, you have to know your client, you have to just feel what's going to be best. And then try different ones to see which one is better, but ultimately you kind of get a sense from ones you've worked with and how you feel that they will represent that particular loan, and that's something you just have to size it up, just like any other kind of field that you're looking at. So that's why I've done it on occasion to see which ones will fit.

LEE ARNOLD: Okay.

JOAN HAWTHORNE: The 8,000 was a commercial. And that was difficult. So we had a lot to do -- we had a lot to do with a tax lien -- or a huge one, you know. So it was a lot of work. But, you know, he's happy and that -- and he keeps in touch with me. So that's important. So I thought accomplished.

LEE ARNOLD: And show me anything where you're going to make \$8,000 that it's not a lot of work. You know, I think that's a really important distinction especially as we're talking, you know, we talked with Vic and Cindy about the lending side. It was obvious from our discussion with them that they're just not sitting idly by and collecting checks. I mean, they're actively involved in the business. Cindy's checking values and titles and you know, a lot of research and due diligence goes into that. Now talking with you, an \$8,000 check but it was a lot of work. You know, speak to the person that thinks that this is like a get rich quick opportunity. What would you tell them?

JOAN HAWTHORNE: No, it's not -- I mean, the deals will come to you. You have to make them work. And you have to



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work. But it's very rewarding when it all happens, and it will be continual. But it is -- it is work. I mean, but what isn't that you want to accomplish and you know have it progress? Everything has something to it that you have to do in your checklist of items. So I think that has to be kept in mind.

LEE ARNOLD: And you know, again a quote -- I don't recall where I heard it, but it was basically, you know, do something that you love and you'll never work a day in your life for money, which I thought was really great. Everybody's got to work; right? Everybody's got bills. Everybody's got stuff they want to buy. Everybody wants to invest in things. So everybody's got to work, you know. And I don't know that there's a job out there that's relatively easy or not easy. It's work regardless. But if you're doing something you love, at least it's fun. And Mary has a question for you. Joan, she says, as you were building this business, were you working full-time? Did you have a full-time job while you were building your brokering business?

JOAN HAWTHORNE: No, I'm not. I'm not -- this is my one goal. I have a part-time, but I'm not full-time right now. But some of the lenders -- you know, just in working with them, you can work on a task. It's not constant interaction. You have to wait for things, and you have to provide notes and so it is something you can work around a little bit. So it's not impossible, but I do work part-time, and that reflects what I do. And I work the loans more full-time.

LEE ARNOLD: Okay.

JOAN HAWTHORNE: And I like doing it. I really enjoy it. So you have to like and get up every morning and like to do it. And I do. So....

LEE ARNOLD: Well, and I think that makes the difference. Do you get up excited to go to work? So question six, somewhat self serving but I'm going to ask it anyway. What do you like about brokering to Cogo Capital?

JOAN HAWTHORNE: What I have found in working with Cogo Capital is I do get support. You can talk to -- all of the sudden it escaped my name -- her name all of the sudden. Hailey. Hailey's great. You can talk to Hailey. You have Gary. Gary is there to support you. Bo Coder. I mean, you just call and you send them an e-mail because we know they're all busy, and they'll answer you, and they'll walk you through something. Doug has been great on one that's being serviced right now. And Tonya. So I think the fact that you're all there, you're all working, you're all working for the same goal of making these happen. It's just not have a loan go through. It's you're making somebody's dream come through. And I think that shows up in how Heather presents, and you know just generally how it's presented and education and what's available and what you can take from this and make it work for you. If it's something you're ready for. So I think that's been positive.

LEE ARNOLD: Okay. Now, I know you and Robert originally got involved with our company from a desire to want to invest in relevant state, and you know, we've got a lot of new people here with us on the call tonight, and a lot of them have come to us because they want to start buying, fixing, and flipping real estate, and they are here because they know that Cogo Capital is a nationwide lender and we lend money to people who want to buy, fix, and sell real estate. All that said, at what point

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did you decide to add brokering to your business? Because -- and I think this is where there's some confusion because people say, well, I don't want to be a broker. I want to be a real estate investor. And I'm always saying, well, wait a minute. They're kind of one in the same. So at what point did you say, you know, what, we need to add private money brokering to our real estate investment business?

JOAN HAWTHORNE: I think just another source for us to be able to go to and be comfortable where we're going for the use of other people's money type of thing. So that's what -- why we got into the brokering, and again because I felt that this was an area that I would be able to progress in along with the real estate investing if one worked faster than the other. But this was constant. This was -- you know, you work any time and you know it's 11 o'clock at night but you can still answer e-mails and do -- send out advertisements. And you're not limited to any time. You just keep working or, you know, excess of what you need. So I think that's when we started to add it and then as education came with it, what was possible, what kind of lending was out there and how wide it really is that you can try to access and accomplish in.

LEE ARNOLD: I want to ask you a question here. I want to ask you a question here from Steve Mansfield. He's live with us here tonight. And he says, Joan, do you feel you can make it in the home study program or is it better to become certified at a summit to get a jump start? And I want to ask you that question because as we were looking at your time line, your history with us, it's obvious that you've invested significantly in advanced education. Why do you feel that was important and how would you address Steve?

JOAN HAWTHORNE: Well, we took the -- the one online, you know, and when you had the certification streamlining because at the time I really wasn't supposed to travel or at least I felt I wasn't ready to. So I was -- that's one reason why we took that and then I took the live -- I came out for the live one but I passed the first one, and I got a lot from it, but the active location really I think filled in a lot of gaps. It was -- you were part of it. And I think that was the welcoming part. So you take the home study, and you take the other parts that you have available to you, the streamlining, I think they're a good jump start. But I think actually getting to a live event really makes it all real, and it just shows that everybody there is there for a purpose, and you're not just sitting there by yourself. You're able to -- although that is a benefit for a lot of people, I think being in an event allows you to see everybody trying to accomplish as much as you.

LEE ARNOLD: Okay. So you're suggesting get to the live events?

JOAN HAWTHORNE: Yeah, yeah I think so. I felt the streamlining was fun and I was on the edge of my chair the whole time, but when I got to the live event, it's just like, oh, this is -- this is energy. This is completely -- not that the streamlining -- the stream and the home study is not. You can make a lot out of it, and you can certainly absorb a lot from it, but the live event I think really helps you pull it in to making it something going on.

LEE ARNOLD: All right. So there you go, Steve. Get yourself to the broker certification training. And I just want to mention this while we're on the topic. For those of you that are not certified pri-

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vate money brokers yet, we do have a broker certification training coming up in Tempe, Arizona, and that is October 6th, 7th, 8th, and 9th. October 6th, 7th, 8th, and 9th. So for those of you that are interested in becoming a certified private money broker, if you would just in the question portal say, I'm interested in becoming a certified broker, and we'll e-mail you some additional information so that you can have -- can make a more informed decision about that. So just type in, I'd like more information about becoming a certified broker. Go ahead and put that in.

And I want to answer this question real quick. For Armand, he says, I'm a licensed loan originator in Nevada. Is there a conflict of interest in doing private money brokering. And Armand, that's really a question that you have to ask your broker because, as a license e, your license is always held with a broker of record. Now, if you are the broker of record, Armand, that's really your decision. I can tell you from my perspective, when I had my full service loan company, all of my licensed ML Os did owner occupied loans, but we also allowed them to broker private money loans as well simply because their client had a need, there was no conventional lender that would fill the need, and we had a long list of private lenders that wanted to fund deals. So we absolutely encouraged that. So I would encourage you to meet with your broker, Armand, and see if he or she is willing to have you allow that as a product that you offer.

Okay, Joan, back to you. And we're coming down the back stretch here. What's your next goal in private money brokering, your quantity and your financial goals?

JOAN HAWTHORNE: Oh, dear. I guess to be -- have several deals at one time that actually go through the whole process and close because everybody can work on deals. Sometimes they close. Sometimes for various reasons they don't. Most of the time it's because something doesn't blend with the lender and it just doesn't have enough support for it. I think probably to have several close at one time that I could say wow, look at that. That would be really nice to have, you know, like five at one time or 10 at one -- or even a dozen at one time. I'm thinking about the MLO. I have been thinking about it a long time. I just -- it's just one of those things that you wonder if it's something you should or shouldn't do because you're in private money, but I am getting a lot of local business calls about, you know, the other part that I can't help because they're not owner occupied. They're owner. And you know, there's a limitation on that. So I get some from lenders -- I mean from brokers and --

LEE ARNOLD: Wait, wait, wait. Time out, Joan. Time out. Let me simplify this question.

JOAN HAWTHORNE: Uh-huh.

LEE ARNOLD: In the next 12 months, how many loans are you going to close, and how much money are you going to make?

JOAN HAWTHORNE: Oh, dear.

LEE ARNOLD: I'm looking for two numbers. Two numbers.

JOAN HAWTHORNE: Two numbers. Okay.

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LEE ARNOLD: How many loans are you going to close?

JOAN HAWTHORNE: Oh, gosh. I'd like to close about, you know, realistically, maybe about 40 of them before the end of the year. That would be nice, you know. Thirty to 40. And in the next -- to the end of the year, you know, pull in about oh, I don't know about 35,000 or so or 40,000. That would be nice.

LEE ARNOLD: Okay. So that's --

JOAN HAWTHORNE: Probably not realistic, but we can goal.

LEE ARNOLD: That's in the next three months you'll make 35 grand?

JOAN HAWTHORNE: I'd like to. I don't know if it's possible. I mean, I've had that many in a day or a week that people want to do them. It's just whether or not they happen. So realistically, you know, okay, bringing it down maybe 25 before the end of the year and making about 35 or 30,000. That would be great.



LEE ARNOLD: Okay. So on that note, does anybody else out there want to make \$35,000 between now and the end of the year? And, again, Joan, it's never about whether you think you can or whether it's realistic or whether it's possible, you set and then you figure out how to achieve the goal. So I just want to ask the rest of the audience here, does anybody else want to make \$35,000 between now and December 31st brokering private money loans? If you do and you are not certified, put into the chat column, I am not certified but want to make 35 grand. I'm not certified but I want to make 35 grand. And I'm going to send you some

information about the upcoming certified broker training in Tempe, Arizona. So who wants to make 35 grand? Three of you. Wow that's a motivated audience. That's great. Right.

Question eight, Joan. How has your involvement with us contributed to your success? And I want to combine these two questions here, and then we're going to get to our rehabbers. So question 8 and 9 kind of one in the same. How has your involvement with us contributed to your success and what would your advice be to someone just getting started in brokering private money?

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JOAN HAWTHORNE: Okay. I would say that, with Cogo Capital and secured investment, they have given me an outlet and a purpose for what I'm doing. They've given me a chance to get into a different field that is out there and it is needed, and things aren't given to people, and this is a good source for them. And I'd say, you know, you still have to do your calls, and you have to do all the responsible things to get this going, but Cogo has and secured investments has given that opportunity to either fund or lend and reach people who need education and some sources that you can send them to and some other kind of elements that -- like the proof of funds letter and the DNA report and things that you can offer them. So it's given you the chance -- you almost have a little platform for a business -- or it is -- that you're able to offer something that is a winning template to -- you know, to get out and be part of. So I'd say that is probably the one thing I can say in your chance of making money and them too. And what advice I probably would give is don't give up. Be natural and genuine with the people that you talk to, and they'll remember you for that. And even if they call you later -- if they don't do one now, they'll call you later, and you'll get this call out of the blue and say, you know, I'm looking at this, can you help me? And that's important. And I'd say that stay motivated and remember that when they're calling you for this, then you've got to be motivated for them because they're sometimes a little -- not decisive. They're unsure. And they think they've got the world, and you have to see if you can get them that world, and you just have to stay up with them and enthusiastic about what you're doing because you've got a good product, and this is one they need. So I would say it's a work in progress.

LEE ARNOLD: Yeah, a good product called money. And, you know, I think that the biggest challenge that a lot of people have in making the transition -- because you know, you've been to events and there's always the dreamers and the wide-eyed bushy tailed people that don't have two nickels to rub together that think their attendance at events is suddenly going to make them, you know, a multi-gazillionaire overnight. And so they come into this business with the wrong expectation of what is possible and what is required. You just don't plug your phone into the wall and suddenly money starts rolling in. It is a process and a lot of work. But once you get these systems integrated, they will start churning revenue for you on a pretty regular consistent basis. But to come from that standpoint and then to feel confident talking to people on the phone about being able to help them get, you know, \$400,000 on a commercial building or a million dollars on this or \$10 million on that, what I encourage people to do is, you know, start small. Loans are so varied from the need to the type of property to the type of borrower, to the amount of money they would like to borrow. Just putting your name out there and saying, hey, I lend money, is going to open up a world of opportunity for you.

I want to close here with this question for you, Joan. This is from one of our listeners. The question is how do you get rid of the fear? How do you get rid of the fear?

JOAN HAWTHORNE: Oh, gosh. Having the notes in front of you, have the questionnaire, have -- you know until it becomes second nature, and just like you're talking to someone you know, you're just telling them about this, and you're asking them questions. Instead of -- while you're getting the story what they're doing, have those questions just like you were asking somebody that you know right in front of you, your friend or somebody, and just bring out those questions and just try to make it as natural as you can so it doesn't sound like you are -- I mean, you have control, but you are

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making it more relaxing for them to feel comfortable in getting that answered. And don't be afraid. All you're doing -- they can say no. But the next one will say yes. So you'll get a lot of nos and you'll get I can't do that or I don't have that kind of reserves, or whatever the case may be. But you just go past it. And you just say, you know, go try wholesaling. And I've sent many people to do that. Do you know somebody who whole sales? Well, see if he can sell our property. And that will give you confidence, you know. And then the loans will come or, you know, the potential loans. So I'd say just -- just be comfortable with what the -- with what you're doing in talking to people. Just get comfortable, and that's it.

LEE ARNOLD: Okay.

JOAN HAWTHORNE: Try.

LEE ARNOLD: And then Dave and Cindy. Dave and Cindy Chuttes, they said how do you get over the fear and they just had a one word response which was pray, which I think is also very helpful.

JOAN HAWTHORNE: Yeah, that too. And hope they don't say no and keep ongoing. But all you can do is try. It's a work in progress.

LEE ARNOLD: Well, cool. Well, Joan, thank you for your participation here tonight. You've been a wealth of knowledge. We appreciate it. Congratulations on all of your success, and I know that there is much more in the works for you. So thanks for being here. I really appreciate it.

JOAN HAWTHORNE: You're welcome. Thank you.

LEE ARNOLD: You bet. All right. Thank you Joan and Robert.

Circle of Wealth Fix and Flip All-Stars

Now I want to introduce you to our final guests of the evening. And this is the individuals that you will need to be working with whether you are brokering, if you're going to become a rehabber, if you want to be in the full-time rehab business. This couple will give you a lot of good ideas about how to get started. Their names are Kent and Terry McKee, and let me give you the McKeeses' time line with us.

They became PME affiliates with us in October of 2013, about the same time that Joan and Robert did. And then they attended our Indianapolis Rehab for Riches course. So they actually went almost a year and a half before they did anything else with us, and I would imagine they're going to have something to say



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about that because don't slow play this thing. I would encourage you to just move forward very quickly and get involved with us as quickly as you can and as many places as you can. Now, Kent and Terry came to us originally to become PME affiliates -- or private money exchange affiliate clients where they would just refer people to us. Then they came to our Rehab to Riches training. From there they also went to our broker certification training last May. And then they got involved with our turn key marketing letter program and also became master brokers. That was in June of last year. Additionally, they have come through Lee's Inner Circle in July of '15. They are done a three-day on-site broker mentor ship in August of 2015. They also did a one-week broker of record mentor ship here in Coeur d'Alene. That was just last month. And they will be out here in September for our master rehabber course, which I am really excited about because as master rehabbers, we can lend up to 70 percent of the ARV. So this master rehabber designation is going to allow us to lend this particular group more money than anybody else. And the thing I love most about the rehabber program is you're going to come up to the Spokane market. I've already bought the house. We bought it at auction. We've had the appraisals, the inspections, and I'm going to be walking you through beginning to the end of the rehab process. We're also going to spend two days at the actual property. The first day will be spent going through and teaching you how to do a budget, a line item budget to know what items to fix, what it's going to cost, how to submit that to the lender, how to get your rehab funds, how to do draw requests, and then on the next day, we're going to go out there, and I've got stages, and I'm going to give one group sledge hammers, and you are going to go knock down walls and tear out kitchens. I'm going to give another group an air hammer and a skill saw, and you are going to start cutting studs and doing some framing, and then I'm going to have another group out in the backyard driving our mini excavate tore and digging holes and picking up rocks and putting them in the trailer and teaching you the business of rehabbing. Now, some of you are thinking, well, wait a minute, Lee. I don't want to be the guy physically doing all of this work, and I agree with you. I appreciate that. But I believe that to manage your contractors and your subs and your suppliers efficiently, I think it's important that you do this as well so that you at least understand the mechanics of what it entails. Now, the master rehabber course is \$20,000; however, for those that attend the master rehabber training, from the day that the training ends -- and this training is happening in the next couple weeks. From the day that the training ends, you have exactly 12 months. And in that 12-month period of time, you need to buy, fix, and flip four houses. You need to borrow money from Cogo. So Cogo will give you the money to buy them. We'll give you the money to fix them. Once the project is done, you're going to sell the house. You're going to send me before and after pictures. You're going to send me a copy of your check, and you're going to give me an one-paragraph write-up about your experience and what you learned and all of that. You're going to do four of those in a period of 12 months. So that's one flip per quarter. And at the end of the 12 months, once you've done those four deals, I'm going to give you your \$20,000 back. So you're putting in 20 grand now. You do four flips, you make \$20,000 a flip, that's 80 grand. I'm going to give you your \$20,000 back. Why would I do that? Well, it's simple. I don't want your money. I want your loans. And what we have found is that a person who successfully flips one deal, two deal, three deal, four deal is somebody that we're going to have longevity with, and that's what we're ultimately looking for are clients that we can do a lot of business with. So if you are interested in getting involved in the master rehabber training, I've only got two spots left. So if you would like more information about the master rehabber program, simply put in your name and say, hey, I'd like to learn more about this master rehabber program. Listen, \$20,000 of education, 70 percent ARV financing

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which means you're going to have to put zero money down on pretty much every deal. It's a great value, a great opportunity. And for those of you that simply flip four deals, which most of you plan to do anyway, it's free. So I'm not sure why you wouldn't do that. So for those of you that would like more information, just simply put in, would like more information about the master rehabber training, come up for that.

Now, lastly, Kent and Terry have also become mentors of the Lee Arnold system of real estate investing, and they're doing consulting work for us. Some of you that are clients might actually be working with Kent and Terry McKee. They're doing a great job. Some of their success stories. On the left-hand side, you've got the before. On the right-hand side, you've got the after.

Well, let's just jump right into the questions. Why did you start rehabbing?

TERRY MCKEE: We went through 2006. We were in new construction. Back before when we -- back in '86, we built our first house together and did it without power tools and electrocuting each other, but it started us loving building. So we went through those years. And then when 2006 hit, we had a partner that went under, drug us down with it, but it's okay. It was a learning experience. And we thought, let's get back into this, back into rehabbing because we missed working with each other really. So it was something we loved doing. Kent loved building houses, and we wanted to get back in the game.

LEE ARNOLD: Okay. So what was the ah-ha moment that allowed you to start making money in the rehab business?

KENT MCKEE: Well, I guess we had gone to an event from one of your less illustrious competitors. We were greatly disappointed, and we heard about the Rehab to Riches event in Indianapolis, and we went to that event thinking we really didn't have anything to learn about residential construction. We knew all there was to know. But we went because we were looking for a source for money to do what we wanted to do. And that's where we met Lee Arnold. And our ah-ha moment was really when we saw that he was a man of deep faith and the worship that Sunday morning really just impressed us so much, and we realized this was a man that we could trust and we wanted to be associated with him, and that was the turning point.

LEE ARNOLD: Okay. And for those of you that don't know or haven't been to one of our live events, my wife and I run a non-profit called He's the Solution Ministries, and you can go online and check it out. But every Sunday morning, we have a Bible study. Anybody is welcome to join us via a telephone call. Again, you can learn more info about that at hesthesolution.com or heisthesolution.com. We also have worship service at our



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events. So any time we're out on the road doing an event, if we are out on a Sunday morning, we're going to have worship service, and we invite any and all to participate and come and join us and just worship together. So that's what Kent and Terry are referring to for those of you that might be new to our organization, but we'd love to have you come out and join us for church. So thanks, Kent and Terry.

Question two. What was the -- know. That's not it. Question three. What was it like doing your first deal, what mistakes did you make, and what did you do right?

TERRY McKEE: Well, our first deal, it was like we did our marketing and then just everything kind of hit at once. So in our first deal, our first mistake was mentally probably not being prepared because -- you know, when you get to going and you realize, oh, wow, we did this, this is here. We're going through. So that middle preparation I would have liked to have kind of been there in my mind a little bit more so I could really take it and hit it head on. But after that, the main -- the main thing with that was we did the right thing in that we went to Cogo. And that was our road block was the funding. So that was a big thing for us as far as doing it right. And all the guidance was there that got us through that one just really smooth. And you know, you can pick up the phone and call. We use Bill Prouder. We could pick up the phone and call Bill at any time if we had any questions or anything. Not just before the loan was made but even after.

LEE ARNOLD: Well, and I think that's an important distinction that you mention because, you know, because we do have so many new people here, this is probably not somebody's first webinar with -- and I hate to use the word, but it's what the industry knows me or knows what we do as. You know, it's the real estate guru trainer. And I'm sure that everybody has an experience where they've been to somebody else's events and they had high expectations and didn't get them and those types of things. But I think it's so important for you, and I think this is what Kent and Terry are saying -- don't let me put words in my mouth here, -- but, you know, working with a company that's not only training you how to invest in property the right way but also, for lack of a better term, standing behind what they're teaching you because they're going to lend you money to do the deal. And I believe that that's really a big road block for most people is where are we going to get the money to do this stuff? Is that what it was for you?

KENT McKEE: Absolutely.

TERRY McKEE: Absolutely, yep.

KENT McKEE: That's what brought us to Indianapolis.

LEE ARNOLD: And I believe that you were introduced to our company through one of our less illustrious competitors? Is that what you called them, Kent?

TERRY McKEE: Yes, sir. We -- I went to that group -- see, when I joined, we did the private money exchange, but I really didn't understand a lot, and all your e-mails just went in a box, you know. I wasn't reading them. So we actually went to a local event because it was local, you know, you go

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and it's local. And I went there because I said, great, we can do the -- get some local funding, you know, it will be here, it will be easy. And then we got out of the event and then said, okay, here's this link. Go to it. The first couple they gave us were not even there anymore. But then, guess what? It was Lee Arnold, and we listened to you through their website. So -- and I could have kicked myself, but anyway, we said, well, let me get out those old e-mails and start looking at this again. So that's how we found --

LEE ARNOLD: And I think that's another thing to mention here because a lot of people think that they have to be involved with our training company or they have to go to our seminars to be able to borrow money, and that's not true. We are a nationwide private money lender, and we will lend to anybody that's got a good deal. But, you know, a lot of these seminar companies have come to realize that, hey, you know, if we tell people we have funding, we can get a lot more people to show up to our events, and then we can sell them all this high-priced coaching and, you know, these advanced training programs. And what's important to know is that Cogo Capital is the back end lender for a lot of those training companies. So you're going to get financing from this group that says they have it, but ultimately all they're doing is they're just referring you to us because we are one of the few that are -- training companies that are actually lending money as well. So an important distinction for everybody to know.

Okay. Question four, Kent and Terry. What was it like doing your second deal, and why would you say the second deal was easier?

KENT McKEE: Well, we had marketed for, like, three or four months without getting anything, and then everything came at once. We had a probate house come through. We had two REOs come through, and we bought one off of Craigslist and they all ended up being submitted within just a few days of one another. So we got really proficient really quick at processing the loan packet and all the information that Bill wanted. And -- but once you've got all of that stuff in your saved folder on your computer, the only thing that changes is the particulars of the property you're looking at. All the other stuff is just, you know, copy and paste, drag and drop. Made it a lot easier.

LEE ARNOLD: Yeah. Good. Okay. And you use Cogo Capital as your private money source. What do you like about borrowing from Cogo Capital?

KENT McKEE: That would be reputational capital because we've been up and we've toured the office, we've met the people, they've met us. I mean, we've actually, you know, gone to lunch or dinner with some of these people, and they know that we're solid and trustworthy and we know that they're solid and trustworthy. And it's like doing business with good friends.

TERRY McKEE: I might add one thing. Y'all aren't going to go let us do anything that you think is



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not the right choice or path. And to have -- you know, that's so different than most companies who just want to give it to you and if you fail, they take the property. You know, you want it to be a win win for everybody and that's huge with us.

LEE ARNOLD: Yeah, and you know, there are companies out there and they have a system that's called loan to own. And what a loan to own organization does, kind of what their formula is is we'll lend you the money, but we're going to make the price and the fees and the term so onerous that you are -- you know, default is an inevitability, and in a default, we're going to take the property back, we're going to kick you to the curb, and we're going to make a fortune selling the house that you couldn't perform on. So that's a loan to own strategy, and there are companies out there that operate under that guise, where our company is very relational. So, Kent, you mentioned relation -- reputational capital. And it's so incredibly important to actually have borrowers that we have lent to 20, 30, 40, 50 times, and those are the types of relationships that we want to foster and we want to grow, but unfortunately it all starts with the first loan. So as a lender -- and I tell our team this all the time -- you know, I am less interested in your first loan and much more interested in your second loan, your fifth loan, your tenth loan, your 20th loan because that tells me you had a good experience, that you made a profit on the transaction, and as a lender, our risk goes down exponentially when we have lent to you five, 10, 15, 20, 30, 40, 50 times. And you know, loan committing. When you bring in a loan that's somewhat challenging, you know, loan committing's real easy because we look at the numbers and we go, okay, who is the borrower? And the underwriter goes, oh, it's Kent and Terry McKee, and we're, like, oh, it's approved, you know, because we know you perform, you always have, you always will, and that's -- that's what we're looking to build, and I think that's important for everybody listening here. You know, you need to get through deal one with us, and also get out to our events. An event is really our first opportunity to get to know you face-to-face, to get to know you personally, to shake your hand and rub elbows. And that is really important to the loan process because as much as we are an asset based lender, as I mentioned when we were on the phone with Vic and Cindy, it's really the person that's responsible for paying the loan back. It's not the property. So we want to lend to good people, and we want to establish long-term relationships with as many people as we can, and we've just really enjoyed working with you.

Okay. Question six. What is your six goal in real estate investing? Your quantity and your financial goals. So how many deals are you going to do and how much money are you going to make?

TERRY McKEE: We have -- it was after coming back recently from Coeur d'Alene, we reevaluated and changed up our goals a little bit. One of the things is more focus on wholesaling which we had kind of started out thinking rehabbing because that's what we do as contractors.

KENT McKEE: And that was a mistake.

TERRY McKEE: Yeah, you know, because you're supposed to do -- you teach it, Lee, always wholesale first, you know, but we wanted to rehab houses. So -- but we want to throw that back in because it is smart. So we want to do -- our goals are 25 rehabs and 25 wholesales over the next year, and again we just reset it because we came back. I don't think we'll have any trouble doing that. We've got two that one has accepted a contract this week after just getting back like last Sun-

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day. So -- and we just started over again. So it's going really good, and I think we'll be good on track.

LEE ARNOLD: Good. Good. Okay. Question seven. How has your involvement with us contributed to your success?

TERRY McKEE: I -- go ahead.

KENT McKEE: I wanted to answer this one, but she didn't want me to.

TERRY McKEE: No, no. I don't know what he's going to say.

LEE ARNOLD: Well, that makes two of us, Terry.

KENT McKEE: When we were first married -- and that was back in 1978 --

TERRY McKEE: Go ahead.

KENT McKEE: -- we got a -- we were poor and we got a Montgomery Ward credit card that had a \$4,000 credit limit, and I remember walking in that store, walking in the door of that store thinking that I was really something because I could buy anything in that store I wanted. Now, we didn't go crazy. We probably didn't buy anything. But the feeling of knowing I could, and that's the same thing that Cogo gave us is that -- you know, we're going to do all this work and spend all of this time and all this effort to market and to find great deals, and I can know that when I find them, I can buy them. I don't have to worry about it. And having that in my pocket changes my mind-set.

LEE ARNOLD: Okay. So you basically got an American Express platinum card with no spending limit; right?

KENT McKEE: Yeah. Based on the deal.

LEE ARNOLD: And that's really a good point to bring up here because we have two private equity funds that we manage, multimillion dollar private equity funds, but every loan that we fund, we sell. So we are turning every dollar in our fund nine to 13 times a year. So we fund a loan, we sell a loan, we fund a loan, we sell a loan. And we're funding that loan with the same dollar and selling it off, replenishing our liquidity, and then funding another loan, which in a lot of ways has given us an unlimited amount of capital that's available to those of you who are out finding these deals. And what Kent is saying, you know, as investors without Cogo, you're kind of out there hoping to find a deal and writing offers, praying that you're going to find the money or that the money will find you. When you're affiliated with Cogo Capital, you know what our underwriting guidelines are, you know what your terms are, you know how much we'll lend on this deal or that deal, and you can write offers with confidence knowing that we're going to fund the deal. I mean, our track record is we've closed 97 percent of the loans that fit our box. Now, what about the 3 percent that we didn't fund? Well, we found something in the file. There was hair that we call it. Some "eradicases" with

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the borrower or the property. So even though we had initially approved it, as we got closer to closing and got through our due diligence, we said, you know, what, this is not a good loan for our investors. So we're going to pull back. But a 97 percent close rate, pretty good. So a good point, Kent and Terry, confidence that you can buy more in more places more often.

All right. Question number eight. You are now mentoring for us, which we greatly appreciate. We get raving reviews. Your clients that you're working with love you. How has teaching others to do this allowed you to become more successful?

TERRY McKEE: I think any time you teach something to other people, the one who really gets the best benefit is the teacher. So it helps you learn it better. And in working with people, it keeps it fresh in our minds what comes up. And also, I mean, for me, I'm constantly -- it's like keeping my education fresh because you can forget something. If you're not using all the avenues, you know, on a regular basis, you'll tend to forget about something. Well, guess what? You know, these come up with great challenges and things they're doing as they're thinking it through, and it bounces right back to us. Oh, yeah, you know, I don't want to forget that again. You know, education, I mean, that's one thing we've learned from y'all. There's always another step, and in teaching it to others, it helps keep the education going. It helps keep it fresh in our minds. And I learn as much, you know, or probably more than they do.

KENT McKEE: No, I mean, like you pointed out on your graph, we're still students ourselves.

TERRY McKEE: Yes.

KENT McKEE: We certainly don't view ourselves as having arrived because we haven't. But we're definitely intending to.

TERRY McKEE: But I don't know that we would ever stop wanting to learn because, like you said, the market changes.

KENT McKEE: Yep.

TERRY McKEE: So being in that and being on the cusp of it is important.

LEE ARNOLD: Yeah. Good. Good points. So in closing here, could you give some advice to those that are maybe just getting started in the fix and flip business. How would you encourage them, advise them, what recommendations do you have?

TERRY McKEE: Pretty early on, we adopted the montra, just do what Lee says. That is based on a lot of forethought and cohesiveness and a plan --

KENT McKEE: And experience.

TERRY McKEE: And experience. I mean, it's all there. So sometimes there would be something,

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and we'd look at each other and go, really? You know, then we'd just think about it and go ahead and dive in, and guess what? It was the best thing. So the education that you put forward and being fully committed to it and training yourself, getting yourself in it so that you know it and when you -- the more you look at deals, the more you can analyze them in the different ways, and it will just keep propelling you forward in your real estate investing. And --

LEE ARNOLD: Good. Kent? Anything to add to that?

KENT McKEE: I would say get the training and then, you know, take the notes and follow the lists and faithfully do the things that you're supposed to do. And I was -- I mean, I was discouraged when we had been marketing for three, three-and-a-half months and nothing. And I was thinking, boy, I'm tired of addressing these envelopes, you know, and printing these letters, but we just kept doing it and all of a sudden, the storm drains opened up and we were flooded. So I think it's important to just -- to just make the commitment to do what you're supposed to do each day and then the results will take care of themselves, just operate your business like a business.

LEE ARNOLD: Wise words. And there's a couple of things in that statement that I want to highlight here because, Kent, you said operate your business like a business, and what people need to understand coming into this is this is not some hobby thing. This is not, you know, sitting in your living room watching HGTV and thinking, oh, boy that looks like a lot of fun, I bet I could do that. No. Because when you come into it with this mentality, you don't take it as serious as you need to. You don't give it the level of credibility that it requires, the level of commitment that it needs, and it doesn't mean that you've got to be doing it full-time. And I know that there's a lot of people here that are still working a full-time job and wanting to get started in this business, and you can absolutely do this, but you've got to understand that it's going to be eight hours a day at job, and it's going to be

two or three hours a night at this, addressing your envelopes, pulling your marketing pieces, sending your mail, writing your offers. The rule of 56. Twenty-five letters sent every week. That's only five a day. Twenty-five phone calls made a day -- a week. That's only five a day. Four offers written each week. That's one a day. And two networking events. That's the rule of 56. And when you stick to it, as you heard Ken and Terry say, you know, yeah, you might -- you might go a few weeks or a few months before it really starts gaining traction, but, boy, when it hits, it hits. And I've heard similar stories. You just have to be committed to it. It's like anything you take on. If you're going to go run a marathon, you need to start training six months in advance, and you start by going on a walk and then a jog and then a run, and then you go from one mile to two miles to three miles, and you work up to it. So to think that you're going to come into this



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business and you're just going to light the world on fire tomorrow, that is not a realistic expectation. What you need to do is take what we're doing, implement the systems and the strategies that we're teaching you. And to Terry's point -- I hate to highlight it because it's so self-serving, but I'm going to. Just do what Lee says. It's the Lee Arnold system of real estate investing because I am here. I'm a full-time investor. Those of you that have come up to our operation -- to our corporate office here, you've seen our operation. We've got trucks. We've got crews. We've got equipment, and we are flipping houses all day every day. We're at the auction every week. We're buying. We're selling. We're wholesaling. This is a real business. So this is not, you know, real estate trainers and seminar experts pretending to be investors. No. We are investors first because we have to be in the market working our craft to know how to instruct you both as trainers and as lenders because we're lending you our clients' money in good faith that you're going to pay it back. So we want to train you, make sure you know what you're doing, know how to do it, and that you're going to return that capital and go do it again and again and again. And as long as everybody just stays in the lane, just does what we ask them to do, everybody wins, and that's what I love most about this business. It's so incredibly rewarding, and I love seeing success stories like this and I'm just really impressed by you. You have really taken this and embraced it, and you're doing some pretty incredible things, and I'm very proud of you both. So good job.

Any last minutes or final closing thoughts, Kent or Terry? Words of wisdom for our listeners?

TERRY McKEE: My only thing would just be to thank you for starting this and having the vision because you just really help so many people. It's there if they can just make that connection with you. And you've changed our lives, and we thank you very much.

KENT McKEE: Over the past year to a year and a half, I bet my wife has looked at me a dozen times and said, you know, he's a genius, don't you.

LEE ARNOLD: Now would probably be a good time to just remind everybody that you have not been paid for this endorsement or coerced in any way.

TERRY McKEE: Not one penny.

KENT McKEE: Nope. I would be glad to be paid.

TERRY McKEE: And we truly from the bottom of our hearts just appreciate any company that would just care so much about the people that it is working with.

KENT McKEE: And the truth of the slogan, we get more of what we want by helping others get what they want.

TERRY McKEE: Yeah.

KENT McKEE: It's on our wall too.

LEE ARNOLD: Amen. That is outstanding. Well, Kent and Terry, thank you. I appreciate you. I

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just want to thank again our Circle of Wealth All Stars. Thank you to Vic and Cindy Perger. Thank you to Robert and Joan Hawthorne. And thanks to Kent and Terry McKee. I very much appreciate you for joining us tonight.

I want you to let us know if we can help you either as a lender, a broker, or a rehabber. This may be your first call with us, but this could be the beginning of a very long and profitable relationship between us. With the Circle of Wealth, I'm going to teach you what you need to know. I'm going to lend you the money to buy and acquire the properties that we help to identify. We're going to teach you how to fix them and flip them and wholesale them with the goal to make you an accredited investor so that you can either participate in our private equity funds or go start your own private equity fund. I want to get you to a place where you've got a million dollars in investable assets -- that does not include the equity in your primary residence -- where you as an individual are making at least a quarter of a million dollars a year on your tax returns, or you and your spouse are making \$350,000 or more per year as a couple, married filing jointly. That's my goal.

I've been doing this for 20 years, and I'm not that old. I'm 39 years old, and I intend to be doing this for another 20 years. I would like to take as many of you as I can from where you are currently at to accreditation status so that you have the million dollars in investable assets.

My dream, my vision, and my plan for your business also helps my business because I don't think I should be getting rich as a result of you. I think that we should be getting rich together as we support each other and we work and partner together. I think that's what makes a successful business, and that model has proven itself time and time again over the last 20 years. Today, you've met clients that are being successful at it, and I want to help you too.

I need to know that you want help and that you're willing to learn and that you're open to allowing us to support, train, and guide you to greener pastures.

With that, I just want to wish you happy investing. God bless you in your business and in your future endeavors.

The Circle of Wealth

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

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

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

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

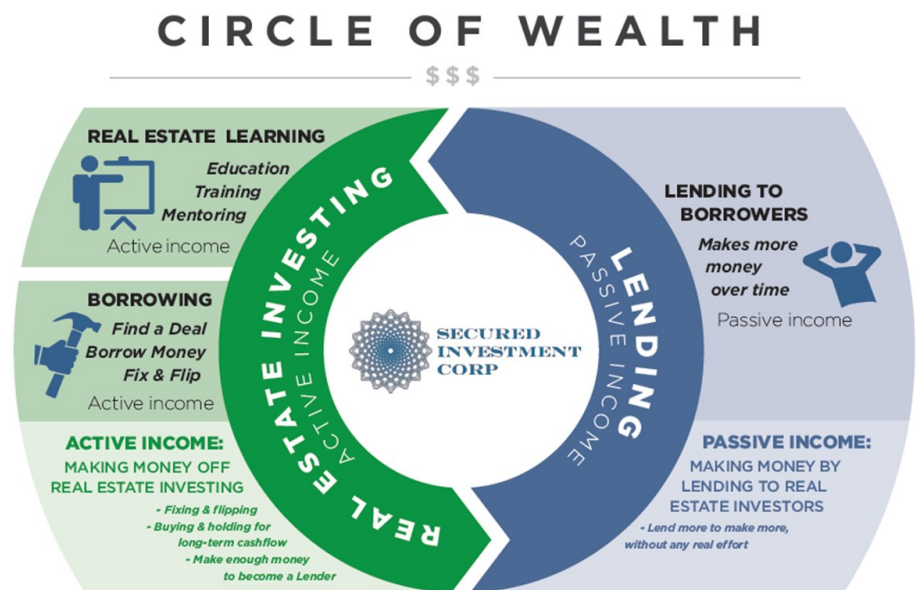
As we combined all these facets—training, funding, and the means to lend on real property—we began to notice a progressing trend of growth and success with the clients involved.

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

This allowed everyone, on every side, to win!

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

We hope you're one of them!





Who Is Lee Arnold?

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

My second “aha moment” happened while I

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

estate.

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

SMARTER INVESTING: Experience & Discipline

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

THE
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SYSTEM OF REAL ESTATE INVESTING

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