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Making it to the Top: Thinking and Acting like the CEO

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# Making it To the Top

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## Thinking and Acting Like the CEO



Well, good evening, ladies and gentlemen. This is Lee Arnold, and I want to welcome you to our CEO Fireside. Today we're discussing future pacing. As the CEO of your own company, it is your responsibility to set goals, plans, strategies, quarterly bench marks, and KPIs (key performance indicators) that you are going to hold yourself, your staff, your contractors, your suppliers, your material men, your agents, and your title people to.

We actually have our quarterly follow up meeting next Monday with all the managers. We'll talk about how Q3 went, how Q4 is shaping up, and we'll also set up our key performance indicators and our bench marks for 2017. So in anticipation of that event, I wanted to go through the process with you, so you can be better positioned to run your company the way that I run my company. Over 21 years of being an entrepreneur and running several businesses, I have discovered some best practices. When we're through,

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### 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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you'll have a better understanding of what you need to be putting together for you and your team coming into 2017. You may be thinking, "Lee, I don't have a team. It's just me." It doesn't matter, you need to run your business like a business, and you need to treat yourself like an employee of your business because you are. And as with all employees, there are certain expectations, requirements, deliverables and duties that have to get done.

As the CEO of my company, there are things that I have to do as CEO. Just because I own the company doesn't mean that I get to play golf all day, every day. Unfortunately a lot of people believe that owning their own business means you get to go and do your own thing. I have yet to see an entrepreneur, a new real estate investor, or private money broker that achieved the ability to play golf during work hours in the first 60 months of running their company.

I have been as I mentioned, an entrepreneur for the last 21 years. I've started and operated multiple companies and led them to multimillion dollar revenue producing entities. Currently, I am the CEO of Secured Investment Corp, Cogo Capital, Lake City Servicing, The Lee Arnold System of Real Estate Investing, and two multimillion dollar high-yield private equity funds. I've been doing this for a long time.

Although I've been doing this for a long time, the hard cold fact is 50% of new businesses fail in the first year. Twenty percent of businesses have a chance of success if they failed before. And three in 10 jobs are held by the self-employed or the people they hire.

Before we continue, I want you to know that I'm not trying to discourage you here. If you fit into one of these statistics, know that the reason you failed has very little to do with you and has more to do with the systems you were or were not following.

So, let's break down those scary statistics. Fifty percent of businesses fail in the first year. This is one of the most often quoted statistics; however, this is where it gets interesting.

- Businesses that survive past the first two years are less likely to die in each subsequent year.
- While 25% of new business don't make it past year one, only 10% of the business that make it past year 5 will die off in the following year, and only 6% in the 10th year. Part of this is due to building a customer base, refining the business model, and creating cash reserves.

The most important phrase in those statistics is "customer base." I will tell you that I did not understand the importance of a customer base when I started my business. It took me 10 years to learn it. I wish I had had the foresight and the common sense like you, to find a mentor that I could latch onto, who would guide me and lead me through this whole process. Hopefully you have found that person in me and you have found that opportunity with our company.

I started buying houses in 1996. Back then, I just thought that I was a real estate investor. I helped other investors buy houses at foreclosure auction and I also bought houses at foreclosure auction and

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fixed and sold them. I did a lot of short sale negotiation, ran my own real estate brokerage with 65 agents who worked for me. Yet, in all of those businesses, I never once thought, “You know, Lee, you’re not putting your clients into a database or a CRM.” I literally ran my business with a notepad and a pen. That was it. And it worked. I’ve always said that if I lose everything, give me a telephone book and a telephone, and I will have it all back in 36 months. But for your business to stabilize and have some consistent and reliable income, you need a customer base stacked with repeat clients. These are the customers that continuously and come back and give you money.

In your business, who would your customer base consist of if you are a real estate investor? Well, it’s going to consist of real estate agents that send you listings, it’s going to consist of wholesalers in your market that are sending you deals, it’s going to consist of marketing people or bird dogs that are out there pounding pavements, finding deals for you to look at and work on. If you are in the private money broker business, your book of business or your customer base exists -- consists of people who are actively looking for properties that they can buy, fix, and sell, existing investors as well as agents that are representing investors that need funding to get their client financed so they can buy the house, earn a commission, and get it fixed up and resold. So you need to be thinking where am I going to store and house these individuals once I’ve found them and identified them? That’s what you’ve got to look for. So customer base, very important.

The second statistic that I mentioned was the chance of success if you failed before is 20 percent. The good news is, with a proven system, which we have, and if you’ll follow it, which some do, it’s not that difficult. It’s not easy, I will give you that, but it’s not difficult. If you’re a first time entrepreneur and you haven’t learned failure lessons, you know that without the benefit of an experienced advisor, you will learn them one way or another.

In the Bible study that I attend on Wednesday nights we’re studying the book of Proverbs. Last Wednesday we were in Chapter Three and talking about wisdom. Wisdom and knowledge are not the same thing. Knowledge is knowing something. Wisdom is knowing how to apply that knowledge. Why is that important? Because we have all failed. I have lost millions and millions of dollars. However, I have learned that success is built on a foundation of failure. Through failure, knowledge becomes wisdom. So don’t let failure define you. Unfortunately, when I’m out at events and I have the opportunity to pull students aside for a brief, quiet conversation many people tell me their life stories wrought with failure. Leave your failure where it happened, learn from it and then move on. Your past does not need to define your future, but it will if you keep bringing it up.

You may be thinking, “Well, Lee, you tell us about losing millions and millions of dollars all the

Knowledge is knowing something. Wisdom is knowing how to apply that knowledge. Why is that important? Because we have all failed. I have lost millions and millions of dollars. However, I have learned that success is built on a foundation of failure. Through failure, knowledge becomes wisdom. So don't let failure define you.

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time.” I do that so you don't think I'm some silver spoon punk rich kid that grew up in wealth. We were very poor when I was a kid and it was through sheer determination and God's blessing that we've been able to do what we've done. My goal, my mission, my purpose, my passion is helping you build and grow your businesses too.

Now, you can bring someone on board who has been there before and can guide you. That person, hopefully, will be me and my company.

The final stat entrepreneurship and the role it plays in job creation is crucial to the economy. Self-employed Americans and workers they hire accounted for 44 million jobs in 2014 or 30 percent of the national work force according to a Pew Research Center analysis data. The self-employed totaled 14.6 million in all and represented 10 percent of the nation's 146 million workers. In turn, they provided jobs for 29.4 million other workers. The fastest ways to success in your business is to get people on your team. Your first goal in business is certainly to make money but secondly it's to invest that money wisely both into investments that can produce a return and people who can produce a return for you.

I'm going to encourage that one of your 2017 goals -- you determine if it's going to be a goal for first, second, third, or fourth quarter – is to hire an assistant. I don't endorse or promote hiring a virtual assistant (VA). If you can't manage people sitting 10 feet from your desk, then how are you going to manage them thousands of miles away over a computer? The only people I have seen successful with virtual assistants are people who have been successful with employees under their charge in their space. Regardless, you need to have someone that is doing the mundane and the monotonous chores while you're out making money. You need someone who will pull the lists, lick and address the envelopes, mail the letters, make the phone calls and set the appointments, and manage your calendar. I hired my first assistant when I was 20 years old, and I have never been without one since. If you're thinking it's because I've always had money, let me ask you this, “Why do you suppose I had money?” Because I had an assistant that was doing a lot of the grunt work that takes away from me doing the actual deals.

## Common Points of Failure

Ask yourself these questions and see if you're committing these CEO sins.

**Sin One:** Do you think you have all the answers? Are you stagnant in your learning? CEOs never stop growing. I attend webinars like you do. I go to conferences like you do. I pay gurus and marketing consultants a lot of money every year, like you do, to learn best practices because there's always a better way and there's always someone that's smarter than you. I believe one of the easiest ways to obtain knowledge and wisdom is by paying for it. Now, you can either pay for it by paying the



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cost of admission, or you can pay for it by learning the hard and expensive lessons on your own. On a piece of note paper, I want you to establish what you will spend in 2017 on advanced level coaching, training, consulting, and masterminds. My budget for those items is about a hundred thousand dollars annually. You should always have an education budget as part of your annual plan.

My job, my goal for each and every one of you -- and I've mentioned this on numerous occasions -- my first goal for each and every single one of you is to get you to a place financially where you have \$250,000 cash in the bank. That's not equity or profit. That's cash in the bank. That's going to be your seed capital to use for acquisition, short-term loans, down payments when necessary, and costs of things. That money goes in and it comes out, but ultimately the \$250,000 does not diminish. We do not spend the principal.

When you get to that \$250,000, you have essentially reached zero because now, with that \$250,000, we're going to go make another \$250,000 and another \$250,000 because my second goal for you is to get you to a place where you have a million dollars in investable assets excluding home equity. That makes you an accredited investor. So wherever you are today, our goal is to get you to accredited investor status.

**Sin Two:** Are you fear driven or purpose driven? CEOs find the purpose, not the fear in their actions. Many people haven't determined a reason for success in their business outside of needing money or wanting money. I believe that is the wrong reason to start a business. Call me philosophical, but I believe that your business and your purpose needs to be bigger and greater and grander than just making more money or having a bigger bank account. I believe that it needs to have a purpose, a reason. I love to help people and watch them become successful. The motto of our company is, "We get more of what we want by helping others get more of what they want." That's something that I truly believe. And I believe that that's why God has blessed our business. It's through blessing our business that we're able to bless your business, and that's what it's all about.

**Sin Three:** Do you stubbornly rely on what worked in the past even when it's not designed for the present or future? It's easy to rest on your laurels. If it ain't broke, don't fix it. But look at your income. Your income and your business growth should be on a continual climb. We call it "up and to the right." So what percentage of increase are you seeing year over year over year? You never want to flat line or make as much this year as you did last. As an employee, with increase freezes, you make the same each year regardless of your work product. But when you see this happening in your life and in your business, you are stagnant and you need to look for new growth opportunities. This can come in the form of adding another income vertical to your business. Those of you that are rehabbers as well as certified private money brokers, you have multiple streams of income. If you get your real estate license, that's another income stream. Becoming a licensed and bonded as a contractor is another income stream. Always look for ways to how add more money in more ways to your business.

I say this with a caveat because here's where you have to be careful. I was in my mastermind session a few months ago, and one of the mastermind members was talking about all the things he was doing and why he was so busy.



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So I asked him, “What was your gross income last year?” He said, “Well, we did about 3.2 million.” I then asked him what he did in 2014 and what he was projected to do in 2016. He said, “Oh, we did \$3.2 and we're going to do about 3.2 million. So I said, “What you're doing here is taking on all of these new activities and just replacing old streams of income with new, yet never increasing your income.” You should only add things to your business if it creates a new income opportunity for you, and not simply as a replacement income opportunity. Too many people make the mistake of quitting their job too early. They think, “Hey, I only make 50 grand a year. That's, like, two flips, and I'm pretty sure I can flip two houses once I'm doing this full-time.” You don't get to quit your job until you've proven to your brain and others that you can replace your income doing something else. That's one of the common reasons that people fail at this so quickly. They haven't proven that they can replace their income. I recommend you add incomes together so you can build and grow. Always make sure your business, your revenue, your knowledge, your infrastructure, and your professional footprint is going up and to the right.

**Sin Four:** Do you tend to trust and work with the wrong people? This one is really important because many of you are insecure or strapped for cash. You go to one of these seminars, and you'll meet somebody that you like and you hit it off and think, let's start a company together. We just finished up our last mastermind, and I had my attorney come in and talk to the group. He said start a company with people that you hate so that you can grow to like them.

Regardless of who you partner with, you need to have a good operating agreement. When you partner with friends or family, you are reluctant to be hardnosed, controversial, or just professional in your contract. Instead, you're nice and opt for a gentleman's agreement. As a result, if it goes sideways and unravels, you are now left with all of these unknowns and loose ends that were never tied up because you didn't want to offend. If you were to start a business with somebody you weren't really fond of, you're going to make darned sure that your attorney includes all those provisions to protect you from that individual. A stronger contract creates a stronger relationship which is going to create stronger checks and balances within the business, stronger cords, competencies, and deliverables between the partners, and as a result, profitability. Who doesn't like the other person when you're generating a profit?

**Sin Five:** Are you inflexible? How easily do you handle change and how quickly can you change gears? CEOs are powerful chameleons and can adopt to every situation.

**Sin Six:** Do you allow analysis of paralysis to eke into your decision making? How quickly do you take action? CEOs talk themselves through, not out of action. One of my favorite bumper stickers is, “God led you to it, he'll guide you through it.” That can apply to every situation in life. It's not a question of whether we turn around, it's a question of do we turn left or right or do we accelerate or pump the brakes? Where do we go? Same is true in business. I will go



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out and knock on doors to see if God's opening doors or windows in those areas, and if they are slammed shut, I adapt and deviate and go the other way.

**Sin Seven:** Do you tend to embellish your accomplishments and downplay your failures? It's okay to promote, but back up your accomplishments with facts and your failures with solutions. If you are going to revisit the past, try to revisit the good things you did and then look to create new successes. When I'm feeling a little less than excited, one of the things I do is start going back the last three, six, nine, or twelve months in my mind and see that, overall, we're moving up and to the right. That's why these bench marks and key performance indicators are so important. They allow you to see the bigger, overall picture. If you're following the Rule of 56 (as a real estate investor) and the rule of 54 (as a private money broker) correctly and you're keeping track of the letters that are being sent, the phone calls that are being made, and the offers that are being written, you're going up and to the right. That's the reason that we give you a \$100,000 a year income commitment in our Inner Circle program because we know that if you stick to the Rule of 56 for 52 straight weeks, you generate you over \$100,000 in net profit. I have never had anybody in my 21-year career do it, that didn't make over a hundred grand.

## Analysis Equals Success: SWOT

I want you to grab a pen and paper, and run through the SWOT analysis with me. SWOT stands for strengths, weaknesses, opportunities, and threats. Draw a line horizontally across the middle of your paper and then a line vertically down the center of your paper so that you have four boxes. In the upper left-hand side write strengths and on the lower left hand side, write opportunities. In the Strength's section, I want you to consider your strengths both from an internal perspective and from the point of view what your customers and people in your market. What are they? If you're a born again Christian, I would put that as a strength you have Jesus on your team. Also, write down your core competencies—what do you do really well? Or put differently, if you had to do one thing for the rest of your life and be in total isolation and slavery, meaning you couldn't get paid for it, what would you choose? If you're answering that question from the stance of needing to make a lot of money really fast, without heeding your passions, you're probably not going to make a lot of money really fast. I do this business because I love it. I think real estate is fun, the finance side of the business is intriguing, and rehabbing properties is enjoyable. I love taking something that's ugly and that nobody wants and turning it into something that is beautiful and everybody wants. I get a charge out of that.





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I also want you to think in terms of your strengths from a business perspective. Are you detail oriented? Are you good with numbers? Do you have an accounting personality? Are you outgoing? Are you a good networker? Are you a good salesperson? If you are building this business with your spouse, significant other, life partner, or partner, what are their strengths? If they're going to be involved in the business, you need to include their strengths into the deliverables that help the business succeed. These are the assets of the business in the form of skills and talents.

Now let's visit the right side of your paper. Write in weaknesses in the top box and threats in the bottom box. List out your weaknesses. How can you improve them? What should you avoid? What are people in your market likely to see as weaknesses? What factors lose you sales?

My weaknesses are that I am not detail oriented. I am a 30,000-foot, big picture guy, as many CEOs need to be. "Without a vision, the people will perish" as the book of Proverbs says. So as CEO, you need to be the visionary. The disadvantage to being a visionary is oftentimes they do not do well in the weeds. If you get me down in the weeds, I lose interest. My second weakness is that I'm very impatient, which makes me a terrible manager. I expect everything done yesterday. And because I'm not good with details, not only do I want it done yesterday, but I haven't told you what it is I want or how I want you to do it. This can be frustrating for the people who work for me. The third weakness that I have is I don't like accounting. I don't want to deal with tax returns. I don't want to handle bank accounts coming in and out. I don't want to do any of that.

When you hire someone they need to possess all of the talents and skills that fall under your weakness category. When I run an ad for a personal assistant, it's going to be someone who is incredibly detail oriented, manages a calendar well, is patient and long suffering, and has a background in accounting or bookkeeping. If you have hired somebody and it didn't work out, it's may be because you hired somebody that had similar strengths as you, and you ended up stepping on each other's toes to the point you couldn't work together, and that person had to go.

You use your strengths to look for people too. You look for with the same strengths that you have to begin to replace yourself in certain areas within the business. If you have been up to our corporate office, you've met many of our managers. Gary is our VP of broker development. Robert is in charge of our educational division. John Kane is our COO who is in charge of operations. Jaclyn Olsen, is our CFO and oversees all the financing and accounting. Doug Greybill manages the underwriting, servicing, and asset management. And Heather Dreves oversees the fund raising and lender side of things. These people all possess many of my strengths, and that's on purpose because I need to know that I can put them in those departments and they will lead and get the job done. Understand your strengths and weaknesses because it's really going to affect how and who you hire.

Let's now look at our opportunities. Go to the bottom left of your page and decide how your strengths and weaknesses will open up or close off opportunities. How can you eliminate your weaknesses to open up more opportunities? What opportunities exist for you? It could be time, marital status, being close to retirement. It could be that you have a sizeable 401K or IRA. Some clients can make more money investing their 401K by self-directing it than they can make at their current job. Another opportunity could be you're in a hot market where property values are still rising.

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That's not going to be true in most markets within the next 24 months, but it might still be true for where you are right now. Because of this, you might have an abundance of inventory.

Now, let's talk about threats. What obstacles do you face? What are your competitors doing? Do you have cash flow problems? Could your weaknesses threaten your business? Is your spouse on board? I'm going to work my way backwards on these because where I see most businesses failing is when the wife or husband is not on board. Why? Because success in business is the ability to communicate in such a way that people will want to get on board with what you're doing and partner in the opportunities you're creating. If you can't even sell your spouse on making this business successful and getting him or her on board, how are you going to sell investors on giving you money for this venture? Your first and toughest sale may be getting the support of your spouse, but I strongly discourage you from moving forward without it.

Go to your spouse and ask them to listen to our CEO Firesides. Tell him or her, "I think it's important for our marriage. I think it's important for our business. I think it's important for our kids." But if you can't get your spouse on board, I strongly discourage you from moving forward until you do. My spouse is fully on board and is the CFO and owner of the company. She's committed. If everyone on the team is not fully committed, your business is going to struggle. Instead of prospecting, writing offers, and talking with motivated sellers and motivated borrowers, you're going to spend your time trying to convince your spouse it's a sound business. If this is a struggle, go to your spouse and say, "Honey, I've noticed that you're not fully on board and I don't want to be involved in anything that you do not support. I love you, I want to be married to you forever, and I want to build and grow something with you as my spouse." Then work to get them on board by showing them your passion and your drive and by helping them get educated to the level you are.

One of the biggest obstacles that you and I have is competitors. We started doing private money loans back in 2009. Up until that point, I had been lending my own cash and other people's cash regionally. However, in 2009 we went global and at that time we were the only lender in this space. Now, in 2016, everyone's lending money, and they are lending stupid money. Meaning were not seeing a substantial increase in our loan side of the business. So what are we going to do to fix it? As brokers, how do you compete in a market that's saturated with opportunities for funding? As a lender myself, how do I compete to get my money deployed instead of another competitor's money? These are the threats we have to think through. As a result of thinking through them, we create new opportunities and we exploit new loopholes that we discover like partnering with our competitors to deploy their money at cheaper rates to our clients.

When you start a new business or look at a new income vertical do a SWOT analysis to see its strengths, weaknesses, the opportunities as a result of doing it, and the threats if you do it versus the threats if you don't. Doing so is a good business practice and will give you a better perspective of your business now and in the future.

## **The Nine Traits of Top Performing CEOs**

**Trait Number One—You're a Motivator:** This is number one because if you aren't motivated,

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you cannot motivate, and if you can't motivate, you are dead in the water. Your business will go nowhere if you cannot motivate your people to do the things they need to do, and not because they're afraid of losing their job or getting written up. They want to do those things because they are motivated to accomplish the same goals and achieve the same dream and vision for the business as you have.

Studies also show that people who have a sense of purpose are more focused, creative, and resilient. This is as true of employees as it is in your customers. Leaders should make a point of reminding employees and clients how their work is improving people's lives by distributing client or customer testimonials. The best leaders maintain a human touch in the workplace and marketplace by inspiring employees and clients, being kind to them and encouraging them to be successful in their own rights.

In our company, we have a book club every month. I assign a book to the entire staff and those that choose to participate will go to Amazon, buy the book, read it, and then write a six paragraph summary of the book. They need to tell me what they liked about it, what they didn't like about it, and how it's going to make them better at their job. Then at one of our staff meetings, which we hold every Tuesday morning at 9:00 a.m., they stand up in front of the company and give a two-minute talk about their report. After they've done, I hand them a \$100 bill for doing the assignment and \$20 for buying the book. We have some employees that have been with us for 10 years and longer, and when you come here for a Lee's Inner Circle, a Master Rehab or Master Broker training, or one of our specialty classes, you can actually see who's been here the longest simply by how many books they have on their bookshelves.



Where did this idea come from? Well, I once read that poor people have big TVs. Rich people have big libraries. I wanted my employees improving their knowledge about various topics and subjects. I don't believe that longevity should be the motivator for raises. I think an employee investing time, energy, and effort in making themselves more valuable to the organization is why they should see an increase. Also, a few months ago we did a walking campaign where three times a week the employees could take a walk on company time. When they got back from the mile walk, they were handed at the front desk two tickets. They would write their name on the two tickets. One ticket would go into a bucket for a drawing where they'd win \$150 cash, and then the other ticket would go into an-

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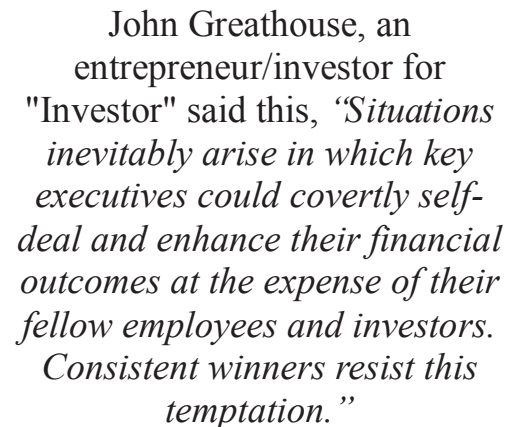
other bucket where we would donate \$10 to the Make a Wish Foundation. So by walking they were getting healthier, but they were also involved in an opportunity to help an organization as great as Make a Wish Foundation and help kids who have a terminal illness be able to go to Disneyland or have some other dream experience. So over that three-month period of time, our staff walked over 800 miles and we donated almost \$10,000 to the Make a Wish Foundation. During that period, our revenue and profitability were some of the highest and best we've seen in the history of our company.

Your business will exponentially become more successful when you start, through your efforts, helping other people become successful. I'm a 39 year old guy and I plan to be in business for a real long time. I believe my business success will exponentially go up, Lord willing, knock on wood, by helping more of you become millionaires. And that's my goal. My first goal is to help you make \$250,000 and my second goal is to help you make a million dollars in investable assets excluding your primary residence.

My company goals are based on the success of my clients. Can you say that about your business, your purpose, your driver, your motivation? If you can't, you may need to look at retooling your mission statement. It's focusing on all the wrong things. When you're inwardly focused you will miss opportunities because you don't see them. When I'm on the phone with a vendor that's pitching me a new idea, I'm thinking, "How is this going to benefit the 500,000 people that we serve in this country?" How many of those can I help make millionaires and how is this new idea or strategy going to benefit or bless them? How can I box this up and make it available so people can benefit from it? You need to be looking for these opportunities within your business.

**Trait Number Two—You Focus Outward:** Self-interest is okay to a certain point, but don't let it get in the way of your clients' interests. As important as growth is, a sustainable company that can stand the test of time must have scalability built into the operations. It's not just about market share. CEOs must recognize that they have to deliver service and product efficiently over long periods of time. John Greathouse, an entrepreneur/investor for "Investor" said this, *"Situations inevitably arise in which key executives could covertly self-deal and enhance their financial outcomes at the expense of their fellow employees and investors. Consistent winners resist this temptation."*

You may have been coming at this business with self-interest, which means you got into it for all of the wrong reasons. You went to that first seminar because you wanted to make more money. You decided to upgrade to become certified because you wanted to make more money. Every time that I sign up for a class or a training I am going specifically to learn how I can make my business better for my clients. It's your fiduciary obligation to help and support anyone who frequents your busi-



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ness, regardless what your business is. When people come to our events, I want them to leave feeling like they are part of a family or have joined our company. I want them to feel that they are an important member of what we do. We strive to create that experience at our events because that's truly and genuinely how we feel when you get involved with us at any level. I don't care if you spend 10 cents with me or one hundred thousand dollars with me. When you get involved with our company, I want you to feel like family because you are. We want to help you succeed in any way that we can.

Do your customers know that that's how you feel about them? If they don't, look at your organizational infrastructure and how you can improve it so your customers feel important. Also, if there's something that we missed the mark on or we missed the opportunity to make you feel warm and welcome, please share that with us. In the same breath, let us know when and how we've done a good job by you. All comments are welcome at [lee@securedinvestmentcorp.com](mailto:lee@securedinvestmentcorp.com)!

**Trait Number Three—You're Courageous:** You must have courage to take the plunge and follow your own path when everyone around you says you're crazy, wrong, or inexperienced. You do what you think is right regardless of conventional wisdom. Tolis Demopoulos, start-up attorney for the Sophos Law Firm, once said this: *"You need the courage to stand out, to be extraordinary, to make enemies if need be, to say no when everyone else would have said yes and to be confident enough to be yourself."* Early in my career, I was young and cocky. I thought I knew everything. I repelled people because who wants to be around that guy? My advice is, be true to yourself and don't be somebody you're not. Of course, this is within reason. Be professional. Be smart and savvy, but be honest. These are the elements of business that are important to get deals closed because it's all about positioning and posturing leading up to the sale anyway. For the most part, you've got to be yourself, and be confident in who and what you are.

In our He's the Solution ministry, we've been studying the life of Joseph in the book of Genesis. In Chapter 48, Joseph's dad Jacob is going to pass away. As I was reading, I was thinking of Jacob, Abraham, Isaac and all of the patriarchs. I was thinking that the God of all these great men is all the God of Lee Arnold, and the God of -- insert your name here—and how truly amazing that is. I don't know where I would be right now if I didn't have that personal relationship with Jesus Christ as my maker and my savior. I can see why the world really struggles with depression and why more people are on prescription depression medication than there has ever been in the history of the world. We've taken God out of schools, our buildings, our courts, our businesses, out of everything really. Of course people are depressed. If you don't have that, the question then becomes from who are you drawing your confidence and strength? In business, you have got to have courage. I believe personally, you get that from God first. Your team, family, employees, and customers need to see that you are strong, confident, and bold in who and what you are. They need leadership. One of my favorite quotes is "People are all looking for the stern but loving parent to tell them what to do." People are drawn to those who can make quick, calculated, confident decisions. Are you somebody who makes quick, confident, calculated decisions? If not, you need to be. How do you get there? You need to be educated first, and then learn to trust the gut and not be swayed by everyone else's opinion.

**Trait Number Four—You're Driven by Urgency:** I haven't met a CEO who wasn't impatient



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for results. I mentioned earlier that I am impatient. Most CEOs' mantra is "Hurry up already. What's taking so long?" Also, if something goes wrong, great CEOs fail fast, learn from it, share these learnings with others, and try again in a different way. Mistakes happen, and when they do, it's about how you make things right and fast. How do you demonstrate a sense of urgency and focus on the right things? How do you purposefully eliminate or remove distractions? One of the easiest ways for those of you that are not naturally gifted in leadership or administration or don't have that confidence, urgency can and should be manufactured. What I mean by that is goals without dates are dreams, while goals with dates are reality. You have got to get better with time management, specifically in calendaring your day, your week, your month, your quarter, your year, and holding your staff and everybody that's involved to specific deadlines and dates as well. It has taken me a long time to understand and value the importance of giving everything a date, a time, and a reward and a punishment if it's not achieved. I wish I could go back and hear what you are hearing tonight because it really could have changed my approach to business. Instead, I learned it the hard and expensive way.

Time and calendaring is how we manufacture urgency. Who is responsible to accomplish what deliverable and by when? What is the reward if they or you are successful, and what is the punishment if they or you are unsuccessful in achieving the deliverable by the set period of time? Every conversation you have as it relates to production, deliverables, and completion needs to end with this question. By when? Time management is the most important aspect of you running your life, your company, your family, and your people.

If you're sitting around waiting for the next course or the next program that's going to hold you accountable, you'll be waiting a long time. You need to stop waiting around for people to finally do something that's going to calendar your life and hold you accountable as an entrepreneur, as a CEO. There's a reason that 90 percent of the population works for 10 percent of the population because 90 percent of the population has not yet figured out how to calendar and manage and time block their own schedule.

So they need an employer to bring them in and say this is where you're going to sit, this is the day that you will start, this is how many hours you will work, here's what you will accomplish in the time period that you are here, and if you do all of these things successfully, I will pay you X number of dollars every other Friday and I'll give you three weeks off a year.

If you have grown up in that environment, you have to understand that this is how your brain has been conditioned. For you now to suddenly leave that and become an entrepreneur, that is a very big bridge or gap to span, which is why you've got to start building those infrastructure items now. If you're getting involved in this business with a spouse or a partner, you know each other's weaknesses and strengths, and you need to identify key deliverables that each is going to be responsible for and attach a by when to every assigned duty needs to be done. If you do not do that, you will have as





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much money in 12 months as you have right now. If I'm rehabbing a project, I tell my contractors and my project managers that from the moment we crack the seal it has to be done and ready to go live for sale within 40 days. If it's not done in 40 days, nobody's getting a bonus or commissions. If you get it done, you get to participate in the profit. I'll share 10 percent of the net revenue on a profit side as long as it's done in 40 days.

That should be true for you as the CEO. That should be true for your employees, contractors, subs, and suppliers. Everybody should be operating under a sense-of-urgency environment where they are rewarded for performing and they are punished for not.

**Trait Number Five—You're Enjoy Change:** CEOs are much more likely to embrace and prompt change. They are motivated by risk and uncertainty. They thrive when the environment or the work is constantly changing. CEOs also tend to like challenges and jump at the first opportunity to be the first to do something new. They are not terrified of failure. As the CEO of your business, you're the one that's responsible for the success of that business which means you have all of the control to make it work. This means the only reason a business fails is not because of the economy or marketing or being unfinanced, it fails because the CEO allows it to fail. Don't bury your head in the sand if things start going awry, cash flow so tight that your phone is ringing off the hook with creditors demanding payment. No. Your job as CEO is to manage these things. If you can manage every aspect of your business, why can't you manage it to success? Or a better question is why haven't you managed it to success yet? Unfortunately many people have been trying to cure the problem by buying more programs. You don't need a program, you need a system. That's why we call it the Lee Arnold system. You follow the systems, they'll make you wealthy. You don't follow the systems, they'll do nothing for you.

This data was taken from a Leadership IQ quiz. The question was "How do you personally feel about change?" Here are the results of the respondents to the statement: "I undertake career and business changes that others describe as difficult or audacious"



Notice that the one who has the biggest trepidation about change is the manager because they realize that as middle management, they are in no man's land. The first sign of a change or a blip in the market or the economy, managers are the first ones to go, then the directors, and then the VPs. If you are not at the top of this chart, you are subject to anybody else's whim and that's why you're here. You don't want to be subject to other people's whims anymore. You begin by implementing and emulating the traits of successful people now. Don't wait until you suddenly need money or

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your J.O.B. goes away. The time to become a leader is not when you need cash. The time is now when you have cash and want to do something that allows you to develop leadership traits without the urgency of desperation.

**Trait Number Six—You Associate With the Best:** The people who you surround yourself with have a huge effect of your ways of thinking and course of action. So make sure that you are being influenced by people who are taking you where you want to go rather than holding you back. So the question you should be asking is in order to be who I want to be, who can I spend more time with? Now, at my level, I will tell you that I accomplish this through the people that I hire, through the consultants, mentors, and trainers that I fly in and bring in and pay for their mentorship. I am very concerned about my immediate sphere. Many of you know John Kane who is our COO. John and I have known each other going on 17 years. When I moved from Spokane, Washington, down to Florida until 1999

and 2000, John was the CEO of the company that I went to work for. And John grew that business as the CEO to a \$275 million a year operation, and I called John up two-and-a-half years ago. I said, John, I need you. I said I know that you're retired, but can you come out here and help me grow this business? And he got on an airplane, and we chatted through it, we came up with some terms, and he's now been with our company two-and-a-half years, and three months ago he just moved his family up here from Asheville, North Carolina. He is now full-time dedicated to helping me grow this business and taking it to the place that I had visualized numerous times. And that's just one of many stories. I have flown people and moved people in from all over the country. Robert Tavares, director of education, moved him up from New Mexico. Nick Fiacco, our sales manager, moved him up from Austin, Texas. Consultants I've flown in from New York. Consultants I've flown in from Denver that were top-level CEOs at other operations that they've run. I seek these people out, and I -- I spend a fortune to spend time with them, you know, which is fascinating because when I mention to people that I charge \$150,000 for a three-day consulting with me, 50,000 a day, a three-day minimum, people look at me like I'm nuts, and I look at them like they're nuts because let's be honest, that's probably the best money you could spend. So why wouldn't you? Well, Lee, I don't have \$150,000. Well, then that should be your goal. You know, I remember years ago, 10 years ago -- well, let's see. Yeah, about 10 years ago, I was first introduced to Dan Kennedy. Some of you know Dan. Some of you like Dan. Some of you don't. He's -- he's got some interesting opinions about things. But one of the first events I went to, I heard that Dan Kennedy had this titanium master mind, and it was expensive. And at that time there was no way I could afford that master mind. And you now that I have a master mind, and it's expensive. But one of my goals from that first meeting was I wanted in his titanium master mind. That was the goal. So everything that I did, that's where I was going. That was the goal. Happy to announce that last year I completed that titanium master



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mind. Some of the best money I ever spent, because this is really important. You have to associate with the best, and for those of you that have been to our office, those of you that have been to our events and met our people, I would be thrilled if you would agree with me that we have the best, and part of the reason for that is I interview every person that we hire. I don't allow managers to hire people that I have not met with and personally sat with, me or Jaclyn. We have to personally sit down with every single person before they get an offer letter. Period, end of statement. And it's for this very reason right here. I want to make sure that, if I'm paying somebody to sit in a chair, that they are people that I want to be associated with, that I want my clients to be around, and I take that very seriously as should you.

## **Trait Number Seven—You Love Sales:**

A CEO has to be the best salesperson in the company in order to sustain profitability. The CEO sets the example for the rest of the company by focusing on what is most important. Since selling is the key to generating profits, the CEO must be actively engaged in it. The CEO leads everyone by selling them, from employees to clients to investors. Gerard Danford, an academic Ph.D. said this: *“You can't start your business if you can't sell your product or service. So if it's not in your nature to convince someone to come around to your way of thinking, you're not ever going to get your business off the ground.”*

Remember when I said, if you have not yet sold your spouse or significant other on the merit of what you're planning to do, then you need to stop moving forward? They are your first customer. You need to get them on board with the plan, the mission, and the purpose. If you can't sell them, do not spend another minute pursuing this opportunity. You've got to get them on board. You've also got to get your staff on board. When you hire someone, it's a bilateral agreement. Every time I step foot into an interview with somebody, I switch from “tell me about you” to “let me tell you about us.” I give them the sales pitch as to why working here is a dream job. It is my responsibility as CEO to bring in the brightest and the best. I've got to convince people to give up 8 to 10 hours every day of their life, Monday through Friday, for me. I've got to convince them to want to take on big responsibilities and deadlines and work for a tyrant like me. I've got to sell people on that.

You may not be able to afford an employee, but many of you could use a financial partner, right?



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Well, you have to sell them on why you're a good investment. The worst position you can take as a CEO, leader, entrepreneur is to say, "I'm not good at sales." I was not born a natural salesperson. I learned this skill by reading books, going to seminars and practicing. I have my employees do the same thing. I have paid for employees to attend it is the Dale Carnegie twelve-week course on effective communication and sales, one of the best trainings out there. I believe every CEO or aspiring entrepreneur should take that twelve-week training. I pay for my employees now, because I was blessed when I worked at the grocery store and they paid for half of our tuition to attend. Afterwards, I was a better checker, a better bagger, and a better servant to our clients at the grocery store, which meant more revenue per head for the grocery store.

I'm always fascinated when people get upset because someone tries to sell them. A good entrepreneur or CEO should be thrilled to take that call. Rather than just saying, "Okay, another sales pitch, here we go again," you should be listening to what they're saying and how they're saying it and learn from it. These are all skill sets and traits of an effective communicator and a strong salesperson, and you need to learn from them so you can emulate it in your business too.

**Trait Number Eight—You're Results Driven.** First and foremost the CEO needs to know who their customer is. I know who my customer is. My customer is who sick and tired of being sick and tired and living paycheck to paycheck. We have customers who have been coming to our events for 10 or more years, which, if you're new to our organization should give you some comfort. I've been doing this for over 21 years. We're not some fly-by-night educational company that has a show on HGTV. We are a company that works hard to develop programs and services that help our clients, who don't have two nickels to rub together, follow a system that helps them make a lot of money. In turn, those clients can come back and fund private equity notes from us, lend money to our new borrowers, and eventually become accredited investors and invest with us in our high yield fund. They continue to come back because I have a plan, a purpose, and a path for every single one of you. The question is are you going to get on board? Choose this day who you will follow. I know my customers because I go to our events, I sit down with them at our events, I pray with them our events. I know my customers. Do you?

CEOs also know how their business makes money, and they know where revenue and earnings are coming from. They also know the numbers needed to hit goals and are laser focused on achieving those results. The question is do you have clarity on how you measure your success? How do you regularly track progress and stay in tune with changing expectations?

In my business, we create and follow our KPIs or a key performance indicators. You need to establish what your KPIs are, their purpose, function, and ultimate results for your company. You do this to know where your main income generating activities are so you can focus on them more. For example, lead creation. Leads are the life blood of your business, and if you don't have any, you don't have a business. So marketing and leads need to be one of the KPIs that you are strongly focused on. At the beginning of the year, I told my marketing department that one of the KPIs was to produce 550 new customers a week. Twenty years ago, that would not have been the KPI, but as you improve and develop your systems, the numbers should go up and to the right.



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You can do this too by following the Rule of 56 as a real estate investor or the Rule of 54 as a Private Money Broker. 25 letters and 25 phone calls is 50 touch points. With a 10 percent response rate that will produce five new customers a week. At the end of the year, you should have close to 260 clients. That's a KPI that should and can be followed. If you write four offers a week, some of those deals will be accepted and you have us to give you the money, which means you will actually buy real estate. But only if you follow your KPIs and the Rule of 56.

Which brings me to: Do you have clarity on how you measure your success? I know how many leads we need to create to produce X number of dollars in revenue. I know how many offers we need to write to produce X number of deal flow. My goal at the beginning of the year is 50 flips (wholesales and rehabs). You need to know the same things. What are your KPIs, key performance indicators? You need to create them, follow them, and continually measure them.

**Trait Number Nine—You're Teachable.** The only person you should ever be competing with is the person you were six months ago. If you want your income and business to keep growing, then you have to make sure you are growing as well. I heard it said that the person we are tomorrow is the result of the people we associate with and the books we read today. I believe that's very true. Your income is directly related to your personal growth. Joseph Puopolo, quoted in INC Magazine said this, *"You need to keep learning every day. The faster you can tighten up your feedback loops and make your organization a learning organization that can adapt and implement based upon things out in the marketplace the better off you will be."*

At every event, we have you fill out evaluations. If you ever see me on an airplane, post-event, you see me reading every single one of those evaluations. I personally look at every one of those evaluations to see what we did right and what we could have done better. I then make suggestions to the staff as to how we're going to change the event moving forward to better serve our clients.

Are you looking at your business with the same care and concern and compassion for your employees and clients? Because if the business fails, your employees are unemployed and your clients can't make any money. There's a lot of responsibility in being the CEO. That's what drives me crazy about all of these get rich quick products on the market on "How to be the Boss." They try to make it sound easy, but it's not. They try to make it sound simple, but it's not. There's nothing easy or simple about being a successful entrepreneur. It's a lot of hard work. It's stressful. It's tiring. And, it's extremely rewarding. So you have to be ready for it. Are you committed to it? Is your 'why' strong enough to help you power through the troubled waters ahead?



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## Year in Review

Let me ask you how you did or didn't act as the CEO this year? As you look back now over the past 10 - 12 months, how have you conducted yourself? Based on everything that you've just seen, have you been the CEO that you need yourself to be, that your company, employees, or family needs you to be? What did you do in last year? Did you take calculated risks? Did you hit your sales goals? How did you perform? Were you results driven? Did you invest in yourself and your education?

Now let's look forward. What will you do this year? What risks will you take? How many sales will you make? What KPIs will you set up, establish, and manage for your team to accomplish? You have to set those up so you can go to your team with a mission, purpose, plan, and outcome, as well as the tasks they need to do individually each and every week to accomplish the end goal. At my company, we create goals that are going to require us to hire people, take risks, and even borrow capital. You, need to have these quarterly goals and objectives too that are going to force you to step outside of your comfort zone and strive a little bit harder this year. How much money will you make and what classes are you planning to attend to improve yourself?

Here's my philosophy. If you make \$50,000 a year at your job, your first year goal as an entrepreneur should be to make an additional \$50,000 doing something else. That way you've proven to your brain that you can replace your salary. Then your next year goal should be to double it and make \$100 grand. Your third year goal should be to double that and make \$200,000. And so on and so forth. You can repeat this over and over again and prove to yourself and your spouse or partner that you have the financial and business chops to be the CEO!

If you want to learn how to be the CEO in a more in-depth and step-by-step way, I would encourage you to invest in our "Be the CEO" Specialty Lab Homestudy Course. This class will help you:

- Break through the 'ceiling of content'
- Embrace the unfamiliar and the uncomfortable
- Balance your passion for success with your passion for your family
- Learn how to be the leader? Walk the walk and talk the talk
- Love what you do and do what you love
- Create efficient systems and processes for both your personal and professional growth
- Set goals, target milestones, and identify KPIs (key performance indicators)
- Create an action and success plan
- Embrace failure so you appreciate success

This hands-on workshop was designed as a heart-to-heart discussion about where your business is, what your business needs are, and where it's projected to go. We're going to put together your SWOT analysis and develop your KPIs, so you can finish the course with a fully completed action plan and a road map for the entire year.

This will allow you to run your life and not let it run you. After this specialty class, you will know, without a shadow of a doubt, what risks to take, how many sales you should be making, what your



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key performance indicators are, how much you will make personally, and what classes you'll need to take to improve yourself and your profits. When you start to view your life as a company and you as the CEO/founder, you will then begin to manage it a lot differently. This class will definitely help you.

By the end of this homestudy course, you will be able to think and act like a high-performing CEO and profit like one too. You will know how to break down your goals and put them into easy-to-follow systematic steps so you can hit the income you've set for yourself and your family.

If you're interested in the course call (800) 341-9918 and talk with our business development consultants. Tell them where your business is, your challenges that you've had this year, and what it is you want to accomplish in the next year. We would love to help you be an effective CEO going forward.

With that, happy investing. God bless you, and we'll talk to you soon.

# 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.

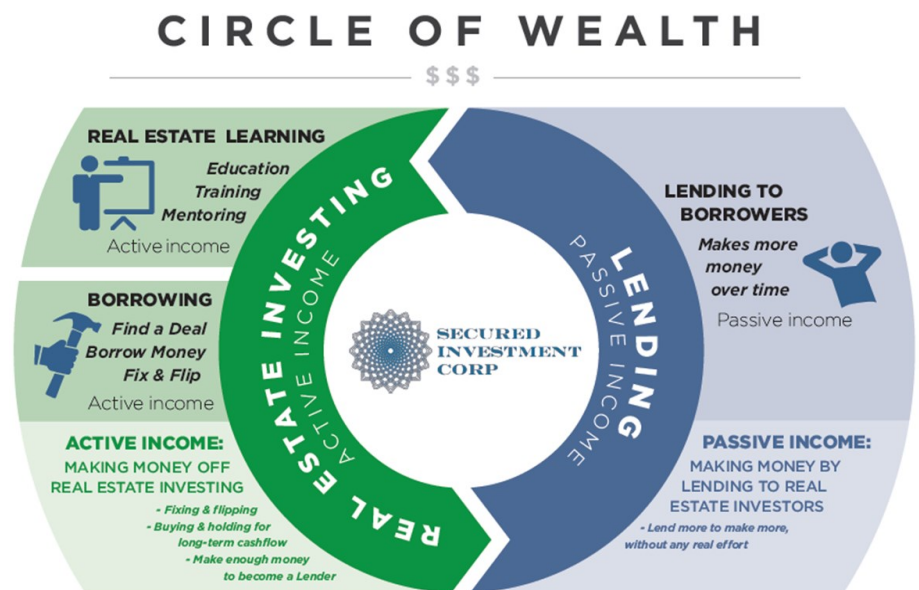
In light of this opportunity, we created Secured Investment Corp, which gave people a medium to lend on first trust deeds (real estate), and make higher returns than they were currently seeing in their stock market, bank CDs, or bond investments.

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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