



Shortcut to Money Secrets

Simple 4-Step System Workbook

***How to Get Money
for Any Purpose***

Disclaimer: Please read the following carefully

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We make every effort to ensure that we accurately represent these products and services and their potential for income and success. Any testimonials and examples used are not intended to represent or guarantee that anyone will achieve the same or similar results. As with any business, your results may vary, and will be based on your individual capacity, background, dedication, motivation and level of desire.

Make sure that you are aware of and completely familiar with the guarantor's responsibilities and obligations when obtaining a line of credit for yourself or directing others to do so. Before accepting and using a line of credit, understand the consequences to yourself, your business and any other guarantor on defaulting on a business line of credit.

Each person's results in acquiring lines of credit and using them to profit in business vary. Some people can and do lose money performing business activities or making investments using lines of credit. The profitable use of lines of credit is dependent upon the actions of the individual and their full understanding of the rates and terms of the line of credit they choose to use.

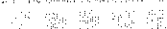
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Introduction

Welcome to my *Shortcut to Money Secrets*, an invaluable step-by-step guide that teaches individuals how to use business lines of credit, instead of their own cash, to create wealth through their investments.

When I created my *Shortcut to Money System* a few years ago, my priority was to formulate a system that would enable me to continue to generate income regardless of fluctuating economic conditions. Over the years, my system has been successfully time-tested through economic upswings and downturns, and the strategies that I have implemented have proven to be effective in sustaining continual growth and profitability for my business during both bull and bear market situations.

I recognize the importance of taking a hands-on approach when learning how to apply acquired knowledge. My *Shortcut to Money Secrets* guide will assist you in fine-tuning the essential tools you'll need to realize your full potential as an ultimate no-money-down investor. It will also teach you how to increase your knowledge strategy and maximize your productivity, even in today's volatile market.

The easy-to-follow and functional format includes:

- An in-depth study of my system
- Links to various websites that provide up-to-date information on investing strategies
- Chapter reviews
- Answers to frequently asked questions
- Exercises that will assist you in learning how to implement my system

This hands-on guide will teach you how to implement strategies to acquire sufficient capital for your investment requirements without having to access your personal funds.



Seminars

In addition to providing you with my *Shortcut to Money Secrets* guide and the accompanying CDs, I regularly hold intensive business credit seminars in Las Vegas, Nevada. These informative and interactive seminars will teach you how to acquire more business credit and increase your potential to profit from your investments.

In my seminars, I will show individuals how to start a business without using any of their own money. I use a live seminar format and go through step-by-step details on how small groups of motivated business owners can learn all the little-known ways of making money in business by acquiring and properly using business credit.

I am confident that *Shortcut to Money Secrets* will be an invaluable source of information for you, as well as a guide to assist you in achieving the maximum return on your investment opportunities.

By reviewing each step in detail and applying some of the strategies through exercises, you will be able to familiarize yourself with the system and implement it successfully.

Let's start with a brief review on how *Shortcut to Money Secrets* works.



Overview

The Four Step System

My four-step *Shortcut to Money Secrets* is a trademarked and copyrighted system that I created by tapping into my many years of experience in the business world. It's an uncomplicated easy-to-follow program that will enable you to acquire many unsecured business lines of credit for any of your investment requirements.

Obviously, every individual has different kinds of investing strategies, but my many clients will readily attest to the fact that my system can be successfully adapted to increase profitability in any kind of investment opportunity.

As an internationally recognized investment expert, I will use my experience to help you create financial security and achieve that much sought-after balance between life and work.

My system is based on my discovery of one of the most profitable loopholes in the credit reporting system – using unsecured business lines of credit to acquire profitable assets without using any of your personal cash. The reason this strategy works is because that activity will have NO impact on your personal credit score.

The four essential steps of my system are:

- Step 1: Understanding the Credit Reporting System (Chapter One)**
- Step 2: Setting Up a New Business on Paper (Chapter Two)**
- Step 3: Working with Partners (Chapter Three)**
- Step 4: Acquiring Many Unsecured New Business Lines of Credit (Chapter Four)**

Step 1 will teach you how to have a thorough understanding of the credit reporting system and how to keep your personal finances separate from your business activity and business debt.

Step 2 will teach you how to set up a new business and register your business name. It will also give you a synopsis of the different business entities and guide you in selecting the one that best suits your needs.

Step 3 will teach you the best way to form an equity business partnership and build a solid team around you.

Step 4 will teach you where and how to get the business lines of credit you will need to build a successful business.

As you follow this four-step system, you will also learn:

- How to take advantage of the most profitable loopholes in the credit reporting system.
- How to use a new business to get cash – no questions asked.
- Why forming a partnership can double an investor's profits.
- How to acquire a large unsecured new business line of credit for investing.

In addition, my system will provide you with many tips and techniques to assist you in realizing your dreams for financial freedom through your investments, including:

- A complete easy-to-use contact list of the national lenders I use. My entire guide is built upon these lenders, with whom I have established excellent relationships over the years. These lenders will offer up to \$200,000 in unsecured new business lines of credit, no questions asked.
- Instructions on how to fill out the applications that will get you instant approval from lenders, no questions asked.
- Tips on how to compare lines of credit so that you can choose the one that will best suit your needs.
- Ideas on how to encourage partners to join you, and how to persuade other people to put up their cash and credit to help you do more deals.
- Advanced training on how to leverage \$200,000 lines of credit into millions of dollars.
- A complete resource library of content-rich articles that help every investor and business owner.



My system is not a one-off way to acquire money – you can continue to use it to build up your cash reserves. By carefully following the steps, you will be able to acquire up to \$20,000 in unsecured new business lines of credit that you can then combine to create a pool of up to \$200,000 for your investing needs.

If your needs are greater than that, you can use this system as a foundation to build upon. Acquiring \$200,000 of real cash that you can use for any kind of investing activity is an excellent beginning. The value of my system, however, is that you can also use it as a starting point to acquire many more substantial lines of credit.

I have personally set up 24 different business names or entities, and each business name has enabled me to acquire \$200,000 for my investing needs. That's the really great thing about my *Shortcut to Money Secrets* guide – it's something you can implement continually, whatever your cash needs are.

I'm confident that you'll find this system worth every penny you invest in it. I want to empower you to acquire financial independence, and the best way to accomplish that goal is through my system.

Now that we've completed the overview, let's continue with a personal commitment to the program, followed by a series of exercises that will assist you in determining your action plan and achieving your goals.



Getting Started

Everyone wants to achieve success but many of us have trouble getting started. One of the most successful ways to get started is to learn how to motivate ourselves. Motivation is a powerful force that enables us to act on our plans and focus on our goals.

The best way to motivate yourself is to focus on the future. Learning how to discipline yourself to concentrate on your goals and put them into action are essential to your success.

The following series of exercises will assist you in motivating yourself and training your mind to focus on your long-term goals:

1. Making a personal commitment to the program
2. Visualizing your personal goals
3. Focusing on your investment goals
4. Creating your action plan

Once we have completed these exercises, we will continue with a full review of the four steps of my invaluable system.



Making A Personal Commitment

Making a personal commitment is just the first step in achieving your goal for financial independence.

Creating a personal commitment plan on paper will enable you to focus on achieving your goals. I personally use the following guide and always encourage my clients to do so as well, as it assists them in motivating themselves and focusing on their ultimate goal of achieving financial success.

When making a personal commitment, start by asking yourself exactly what you hope to achieve. This may take the form of listing clearly defined objectives with specific time goals. You need to make a full commitment to study my system, review all the accompanying material, and learn how to apply the steps in a way that best suits you and achieves your personal investment goals.

I, _____

commit to:

Now, go into more details on the commitment that you're prepared to make.

Specifically, I will:

Once you've made a commitment, you need to focus on your action plan. How do you intend to take this commitment and apply it? How do you intend to start and what do you hope to achieve?

My action plan is:

Do you have any additional intentions aside from achieving financial independence?

My additional intentions are:

NAME: _____

DATE: _____

Visualizing Your Personal Goals

What's your idea of a perfect life? Try visualizing this life in detail, taking into account your physical health, work, family, friends, home, community, quality of life, hobbies, etc.

Describe it overall:

Describe your life now:

Describe what you'd like your life to be one year from now:

Describe what you'd like it to be in five years:

Describe what you'd like it to be in ten years:

Describe your ultimate lifestyle goal:

Focusing on Your Investment Goals

Take a moment to focus on your investment goals. What are your ideal investment opportunities? As you become more familiar with the investment strategies of my system, what other investment opportunities do you envisage?

Describe your current investment opportunities:

Describe what you hope to achieve in one year:

Describe what you hope to achieve in five years:

Describe what you hope to achieve in ten years:

Describe what you hope to achieve overall:

Creating Your Action Plan

Create an action plan, using your personal and investment goals as a guide.

Start by making a list of the tasks that you need to do in order to create the investment portfolio that is ideal for you.

To implement within this year:

To implement in year two:

To implement in year three:

To implement long-term:

Now, go back to the list and put it into a timeline. For example, within two months, you will have reviewed my *Shortcut to Money Secrets* system and the accompanying CDs, and completed the exercises in this guide.

Create an accountability plan for yourself. If you do not meet your required timeline, what will your accountability and fallback plan be?

Now that you've set some goals for yourself, we can start learning about my system and how to implement it to best suit your needs. Here's a quick reminder of exactly what that system is:

- Step 1: Understanding the Credit Reporting System (Chapter One)**
- Step 2: Setting Up a New Business on Paper (Chapter Two)**
- Step 3: Working with Partners (Chapter Three)**
- Step 4: Acquiring Many Unsecured New Business Lines of Credit (Chapter Four)**



Chapter One

Step One: Understanding the Credit Reporting System

In order for you to achieve your goal for financial independence, it is essential for you to start with a basic understanding of the credit reporting system. Although the credit reporting system is very complex, it will be well worth spending some time and effort to learn some of the fundamental aspects on how to manage your credit score.

I can show you how to implement my system even if your personal credit is not currently healthy, but you still need to learn how to improve and maintain a good credit rating. As an investor, you have to recognize the importance of maintaining a healthy credit score, as it will enable you to qualify for better interest rates on the various types of loans you choose for your investments. It is also beneficial for you to learn how certain kinds of negative activity on your part can affect your credit score adversely.

By learning how to monitor and protect your personal credit score, you will not only be able to generate more money as an investor, but you will also save thousands of dollars as a consumer.

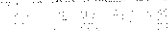
What is the Credit Reporting System?

The credit reporting system is built upon the idea of securing accurate information that will be used by financial institutions to assess your credit risk.

Credit reporting agencies collect, maintain and update your personal credit profile. Their reports will identify how much debt you carry and what your payment history is. It will also list any judgments, liens or bankruptcies, and any record of inquiries for new credit.

The three main credit reporting agencies are:

1. Equifax (www.equifax.com)
2. Experian (www.experian.com)
3. TransUnion (www.transunion.com)





They are independent companies that do not share any information, although they will alert the appropriate authorities of any fraudulent activity.

Each of the online services will offer you the option of monitoring your credit report on a monthly basis, and notify you of any changes to your credit report.

The website I use and recommend is www.equifax.com. For a reasonable one-time fee, you can purchase a three-in-one report and your Fair Isaac Credit Organization (FICO) score. The report uses an easy-to-understand format to provide you with full details of your credit history from the three reporting agencies. This will allow you to file online disputes regarding any negative information that is affecting your credit rating. In addition, for a reasonable monthly fee, Equifax also offers a variety of monitoring plans that will assist you in protecting your credit and monitoring your credit reports from the three reporting agencies.

A very useful tool that I recommend on www.equifax.com is their credit score simulator, which you can use to test different ways to improve your credit score. For example, what would happen to your score if you paid off one of your credit cards completely? How many points would your credit score increase by? What if you paid off a small amount of the current balance on every card you have a balance on? Would your score go up if you used that strategy?

Although the government offers free annual reports that will enable you to learn your score or dispute any items, I don't recommend you use them, as they are limited in what they provide. It is much more beneficial to buy your report directly from Equifax, as you will be able to review it immediately and question any inaccuracies. You should make a note to check your report on a regular basis so that you know exactly where you stand.

It is important for you to understand that various individuals, including lenders, employers, landlords and/or service providers, can access your credit report by purchasing it from one of the three agencies. Your report will assist them in determining whether you have been responsible in your previous credit history and can be trusted with additional funding.

One of the fundamental principles of using this system is to find out exactly what your credit score is so that you know exactly where you stand and what areas you need to work on. It doesn't matter how good your score is – you need to improve it.





Some of the ways you can improve your credit score are by paying off balances, transferring balances out of your personal name, or refinancing your home and paying off revolving credit card debt.

Earlier on, I mentioned that certain negative activities on your part can adversely affect your credit score. The following is an example using a housing loan:

When you acquire a Home Equity Line of Credit (HELOC) to tap into your home's equity, you need to know that this activity will report negatively on your personal credit score. What most people don't realize is that a HELOC reports in a much more negative way than another similar loan that is almost identical, which is a Home Equity Installment Loan (HEIL). A HEIL is a revolving open-ended loan that takes the form of a line of credit and is secured by the borrower's residential property.

This is just one example of why it's essential for you to learn how the credit reporting system works. By familiarizing yourself with it, you will be able to make informed decisions on how you want to handle your personal credit, which in turn will generate many more financial advantages for you.

What is a Fair Isaac Credit Organization (FICO) Score?

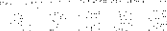
A Fair Isaac Credit Organization (FICO) score is a Federal Trade Commission-approved method of calculating a person's credit score and assessing their credit risk.

Lenders have the ability to review your credit report, including your FICO score, when assessing your financial stability. That is why you need to regularly check your credit score and carefully review what is showing up on your personal credit report.

Each of the three credit reporting agencies will have a FICO score that is based on the information in their individual files. However, none of the three agencies will report exactly the same score. This is why it is good to get a report from each of the agencies when checking for any inaccuracies or duplications.

A FICO score ranges from 300-850 and is based upon several areas of credit data. These areas include your payment history, amount of money owed, types of credit, years of credit history and any new credit.

You should regularly review your credit report for any errors or inaccuracies, and dispute any items on your report that are bringing down your FICO score. As we continue, I will show you the best method of disputing any inaccuracies on your report.





Being knowledgeable about what goes into determining your credit score is a valuable strategy to increase your buying power. Another powerful strategy is learning how to utilize and manage your credit.

How to Read a Credit Report

It is essential that you learn how to read your credit report in order to successfully manage your credit score. I am now going to take you through a sample credit report, using information provided on the website www.TrueCredit.com, and give you a brief explanation of each section. Keep in mind that credit reports can vary, depending on the reporting agency, but most of them contain the following information.

A credit report is divided into four sections – consumer information, consumer statements, summary information, and account history.

1. Consumer Information:

This section contains your personal information, including your full name, your current address, and your current employer. It may also list your previous addresses, as well as your previous employer.

2. Consumer Statement:

This section contains any statements or requests that you submitted to the reporting agency to include in your report.

3. Summary Information:

This section lists out all your payment history, and is broken down into the following types of accounts:

- **Real Estate:** Primary and secondary mortgages on your home and any other real estate properties you own
- **Revolving:** Loans with outstanding balances that do not have to be paid in full every month. E.g. a credit card
- **Installment:** Loans with fixed monthly re-payment terms. E.g. a car loan





- **Other:** Accounts for all other categories
- **Collection:** Accounts of any payments that are past due. E.g. a collection agency

Each of these types of accounts is further broken down to the following categories:

- **Count:** Total number of accounts in that category
- **Balance:** Total amount you owe on all accounts in the category
- **Payment:** Total monthly payments you must make on all accounts in the category
- **Current:** Number of accounts in the category that are paid
- **Delinquent:** Number of accounts with overdue payments
- **Derogatory:** Number of accounts that negatively impact your credit rating
- **Unknown:** Number of accounts whose condition was not reported by the credit bureau

In addition, this section will also summarize the following:

- **Open/Closed Accounts:** A total number of all open/closed accounts
- **Public Records:** Any public records in your name, as well as the total amount of money involved for all these records. E.g. bankruptcies, judgments and tax liens. Anything noted in this section will be harmful to your credit.
- **Inquiries:** This is a list of anyone who has requested a copy of your report. These inquiries are divided into "soft" and "hard" sections. "Soft" inquiries are general ones that you do not need to worry about, such as companies who want to send you promotional material. "Hard" inquiries are the ones that are initiated by you when you fill out a credit application.

4. Account (or Credit) History:

The Account History Information section provides detailed information about all credit accounts in your name. Accounts are divided into the same five categories – Real Estate; Revolving; Installment; Other; and Collection. Each entry will include:

- **Creditor Name:** The lender who gave you the credit account. E.g. a credit card company
- **Account Number:** An identifying number for your account. E.g. a credit card number for a credit card account
- **Type:** The type of credit, such as a mortgage or credit card
- **Condition:** The account's payment status as of the last reported date
- **Responsibility:** Whether the account is in your name only or with another person
- **Pay Status:** The status of the account. I.e. Whether the account is open, closed, inactive, etc.
- **Date Opened:** The date you opened the account
- **Date Reported:** The last date when any activity in this account was shown, including payments, credit card billings, etc.
- **Balance and Limit:** The amount you still owe on the account (based on the last reported activity)
- **Payment and Terms:** The amount and terms of your payment schedule. E.g. Fixed monthly payments
- **High Balance:** The total amount of the loan. E.g. the initial amount of the mortgage, not the current amount that has been paid down
- **Past Due:** The amount of any overdue payment

- **Remarks:** Any remarks made by you or your creditor
- **Two-Year Payment History:** A graphic illustration of your payment history over the past two years
- **Seven-Year Payment History:** A record of any late payments that have occurred over the past seven years

Check out the sample form on the next page for an example of a credit report.

TrueCredit

SAMPLE REPORT
Consumer Credit Report
January 5, 2004

Consumer Information

	Experian	TransUnion	Equifax
Name:	Sample Report	Sample A Report	Sample Report
Current Address:	123 Main St, Los Angeles	123 Main Street, Los Angeles	123 Main Street
Previous Address:	000 Garden St, Orange, CA	000 Garden St, Orange, CA	000 Garden St
Current Employer:	TrueLink	TrueLink, Inc	

Consumer Statement

I did not view the payment to ABC Electronics because the radio I bought was delivered in defective condition. ABC Electronics would not repair or replace the radio and they would not let me return or exchange the radio. Since the radio was defective and unusable I refused to pay for it.

Summary Information

	Experian	TransUnion	Equifax
Real Estate Accounts			
Count	1	1	1
Balance (\$)	106400	106400	106400
Payment (\$)	1130	1130	1130
Current	1	1	1
Delinquent	0	0	0
Derogatory	0	0	0
Unknown	0	0	0
Revolving Accounts			
Count	2	2	2
Balance (\$)	1173	1173	1173

- The **CONSUMER INFORMATION** section contains information about your name, addresses, and employment.
 - Date reported:** The date the information was first reported to the bureau by your creditors.
 - Last updated:** The date the information was last updated with the bureau by your creditors.
- The **CONSUMER STATEMENT** section contains a personal comment that you have submitted to the credit bureaus for inclusion in your report.
- The **SUMMARY INFORMATION** section contains a list of your payment history—broken down by account type.

The five types of accounts are—

- Real Estate:** Primary and secondary mortgages on your home.
- Revolving:** Accounts comprised of opened terms with varying payments, such as a credit card account.
- Installment:** Accounts comprised of fixed terms with regular payments, such as a car loan.
- Other:** Accounts in which the exact category is unknown. This could include 30-day accounts, such as an American Express® account.
- Collection:** Accounts seriously past due including accounts assigned to an attorney, a collection agency, or a credit grantor's internal collection department.

The summary includes the following information for each of the five types of accounts—

- Count:** Total number of accounts you have in the given category.
- Balance:** Total amount you owe on all accounts in the category.
- Payment:** Total monthly payments you must make on all accounts in the category.
- Current:** Number of accounts in the category that are properly paid.
- Delinquent:** Number of accounts in the category for which payments are past due.
- Derogatory:** Number of accounts in the category that negatively impact your credit rating.
- Unknown:** Number of accounts in the category whose condition was not reported by the credit bureau.

This section also summarizes your open accounts, closed accounts, public records, and inquiries—

- Open/Closed Accounts:** A total number of all accounts that are either open or closed.
- Public Records:** A count of any public records in your name, and the total amount of money involved for all public records. Public records may include judgements against you in civil actions, state or federal tax liens, and/or bankruptcies.
- Inquiries:** An inquiry appears when an organization such as a bank or retail store requests a copy of your credit report. This number reflects how many inquiries were made on your credit report within the last two years.

Disclaimer: The above form is a sample and is provided for reference purposes only. For more information, refer to www.truecredit.com.

Account History Information			
CREDITOR NAME	Experian	TransUnion	Equifax
Account Number:	1234	1234	0-1234
Type:	Real Estate	Real Estate Mortgage	Real Estate
Condition:	Open	Open	Open
Responsibility:	Individual	Individual	Individual
Pay Status:	60 days late	Charge off	30 days late
Date Opened:	06/01/2000	06/2000	05/2000
Date Reported:	09/01/2002	01/2002	01/2002
Balance and Limit:	Balance of \$104,000	Balance of \$104,000	\$104,400
Payment and Terms:	\$1130 for 360 months	\$1130 for 360 months	Payment \$1130
High Balance:	\$106,400	\$106,000	\$106,400
Past Due:	\$0	\$0	\$0
Remarks:			
Two Year Payment History:			
Experian			
TransUnion			
Equifax			
Seven Year Payment History:			
Experian	TransUnion	Equifax	
30 Days Late:	1	1	
60 Days Late:	1	0	
90 Days Late:	0	0	

The ACCOUNT HISTORY INFORMATION section provides detailed information about all credit accounts in your name. Accounts are divided into five categories—Real Estate, Revolving, Installment, Other, and Collection.

This section includes the following information for each of the five types of accounts—

- **Creditor Name:** The abbreviated name of the person or agency that gave you the credit account, such as a bank, credit card company, or mortgage lender.
- **Account Number:** An identifying number for your account. Typically, this would be a credit card number for a credit card account, or a loan identification number for a mortgage.
- **Type:** The type of account. Some common account types are Real Estate, Automobile, Educational, and Credit Card.
- **Condition:** A detailed description of the account's payment status as of the last reported date.
- **Responsibility:** The role that you play in the account. For example, "Individual" or "Joint."
- **Pay Status:** The state of the account. For example, "Open" or "Closed."
- **Date Opened:** The date when the account was opened.
- **Date Reported:** The last date when any activity in this account was shown. Activities include payments, credit card billings, etc. Very recent activities may not yet show on your account, since it takes time for them to appear in the bureaus' computer system.
- **Balance and Limit:** The amount you presently owe on the account (based on the last reported activity) compared to the maximum amount of credit approved. Very recent activities may not yet have appeared in the bureaus' computer system, so this balance may be a few days out-of-date.
- **Payment and Terms:** The amount and number of monthly payments scheduled.
- **High Balance:** The most you have ever owed on this account. In the case of a credit card, for example, this would be the highest balance you've ever accumulated. For a mortgage, it would be the initial amount of the mortgage, not the current paid-down principal.
- **Past Due:** The amount of payment overdue as of the most recent reported activity. Very recent payments may take a few days to appear on your credit report.
- **Remarks:** If there are any remarks by you or your creditor included in the account information, these remarks will appear here.
- **Two Year Payment History:** At the bottom of the account information, you will see a histogram that graphically illustrates your payment history over the past two years.
- **Seven Year Payment History:** A record of any late payments that have occurred over the past seven years.

Disclaimer: The above form is a sample and is provided for reference purposes only. For more information, refer to www.truecredit.com.

Public Record Information			
BANKRUPTCY			
Type:	Exemption	TransUnion	Equifax
Status:	Chapter 7 Bankruptcy	Chapter 7 Bankruptcy	Chapter 7 Bankruptcy
Date Filed/Reported:	08/1996	08/1996	08/1996
How Filed:	Individual Acct	Individual Account	Individual Acct
Reference #:	107115	107115	107115
Closing Date:	12/15/1996	12/1996	12/15/1996
Court:	County Court	County Court	County Court
Liability:	\$50,000	\$50,000	\$50,000
Exempt Amount:	\$10,000	\$10,000	\$10,000
Asset Amount:	\$15,000	\$15,000	\$15,000
Remarks:			
Inquiry Information			
Creditor Name:	Date of Inquiry:	Credit Bureau:	
Bank	01/02/2002	TransUnion	
Credit Card Company	12/13/2001	Equifax	
Credit Card Company	10/05/2001	Experian	
Mortgage Lender	11/19/2001	Experian	
Creditor Information			
Creditor Name:	Address:	Phone Number:	
Bank Credit Card	133 Main Street, Los Angeles, CA 90000	(800) 000-1234	
Bank Credit Card	333 Garden Street, Orange, CA 92660	(800) 000-1234	
Auto Lender	000 Main Street, New York, NY 00000	BY MAIL ONLY	

The PUBLIC RECORD INFORMATION section lists publicly available information about legal matters affecting your credit. These public records may include judgements against you in civil actions, state or federal tax liens, and/or bankruptcies.

For each public record, some or all of the following information may appear—

- **Type:** The type of record, be it a Tax Lien, Legal Item, Bankruptcy, Wage Item, Judgment, etc.
- **Status:** Current status of the record.
- **Date Filed/Reported:** Date when the record was initially filed or created.
- **How Filed:** The role that you play in the record, usually the record is either filed individually or jointly.
- **Reference #:** Identifying number for the record.
- **Closing/Released Date:** Date when the record was closed or the judgement awarded.
- **Court:** The court or legal agency that has jurisdiction over the record.
- **Amount:** Dollar amount of the lien or judgement.
- **Remarks:** If there are any remarks by you or the court included in the public record information, these remarks will appear here.

If the Public Record is a Bankruptcy, three other fields will be visible—

- **Liability:** The amount the court found you to be legally responsible to repay.
- **Exempt Amount:** A dollar amount claimed against you, but an amount in which the court has decided you are not legally responsible.
- **Asset Amount:** The dollar amount of total personal assets used in the court's decision. The Asset Amount can include items of value that can be used to pay debts.

The INQUIRY INFORMATION section lists details about each inquiry that has been made into your credit history. Details include the name of the creditor or potential creditor who made the inquiry and the date when the inquiry was made.

An inquiry appears when an organization such as a bank or retail store requests a copy of your credit report. These requests can only be made if you have a credit granting relationship or are applying for credit with the organization. The requestor's name will appear on your credit report, allowing you to monitor who accessed your credit report.

Please Note: An excessive number of inquiries may adversely affect your creditworthiness. However, inquiries you personally have made via TrueCredit.com are considered to be "soft inquiries" that will not negatively impact your credit standing.

The CREDITOR INFORMATION section lists the names of all creditors and potential creditors that appear on your credit report. The list includes both creditors that appear in your Account History section and creditors that appear in the Inquiry Section. Each creditor's address is listed to the right of the creditor's name. When available, the creditor's phone number is also listed. Creditors without listed numbers must be contacted via the U.S. Postal Service.

Disclaimer: The above form is a sample and is provided for reference purposes only. For more information, refer to www.truecredit.com.



How to Dispute Errors on Your Credit Report

The Fair Credit Reporting Act (FCRA) gives you the right to dispute any information that you feel is being reported inaccurately on your credit report.

For the purposes of this example, we will use the dispute process from www.equifax.com.

Once a dispute request has been received by Equifax, the reporting agency will investigate your concerns with the source and respond to you with the results of the investigation within 30-45 days.

If you are in the process of applying for a loan, you should immediately notify your lender of any incorrect information in your file. Once any changes have been made to your report as a result of the investigation, the lender will have to purchase your credit file and score again.

Before you initiate your dispute, make sure you have a copy of your current credit report, as well as the confirmation number of the credit reporting agency.

There are three ways to initiate a dispute:

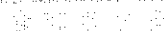
- Online
- By mail
- By phone

Dispute Online

The most efficient way to dispute any inaccuracies on your credit report is to do so online.

If you find an error in your report, you can start an investigation free of charge by going online and accessing the reporting agency's website.

- Enter your ZIP code and click the 'submit' button.
- Provide the reporting agency with your identifying information as it is found on your credit report, including your confirmation number, last name, street number, and the last four digits of your Social Security Number.





- Submit your dispute. By submitting your request to the reporting agency, you are giving them authorization to initiate the investigation and provide the results to you online.
- The reporting agency will investigate your concerns with the source and update your credit file as required.
- Since you have submitted your dispute online, the results of the reporting agency's investigation will ONLY be provided to you online.
- You will therefore need to ensure that you have adequate protection on the email account that you use for your online communication with the reporting agency.
- The reporting agency will notify you via email when the results are available online.
- To access the results online, you will need the confirmation number that the reporting agency provided to you when you created the dispute.
- The results will be available for you to access online for 30 days.

Dispute by Mail

As an alternative, you can dispute inaccuracies by mail to:

Equifax Information Services, LLC
P.O. Box 740256
Atlanta, GA 30374

- Write a letter, providing the reporting agency with your identifying information as found on your credit report, including your confirmation number, complete name, full mailing address, and your Social Security Number.
- In the letter, tell the agency what information you think is inaccurate.
- Include copies of documents that support your position. You may also want to enclose a copy of your report with the items in question circled.

© 2009



- Clearly identify each item in your report that you are disputing, and explain why you are disputing the information.
- Request that the inaccuracy be removed or corrected.
- Always keep copies of your letter and any accompanying documentation.
- Send your letter by certified mail with "return receipt requested," so that you can confirm when it was received by the reporting agency.
- The reporting agency should take approximately 30 days to complete their investigation.
- When the reporting agency has completed the investigation, they will send you the results in writing, together with a free copy of your report if the dispute results in any changes.

Dispute by Phone

I do not recommend that you dispute any inaccuracies on your report by phone as it is always preferable to have a paper trail of your request for an investigation.

If, however, you would prefer to dispute the inaccuracy by phone, the phone number of the reporting agency can be found on your credit report.

Credit Utilization

About 40% of credit card holders carry a balance of less than \$1,000. About 15% are far less conservative in their use of credit cards and have total card balances in excess of \$10,000. When we look at the total of all credit obligations combined (apart from mortgage loans), 48% of consumers carry less than \$5,000 of debt. This includes all credit cards, lines of credit, and loans (except for mortgage loans). Nearly 37% carry more than \$10,000 of non-mortgage-related debt, as reported to the credit bureaus.

Let's take a look at some misconceptions that many people have when it comes to managing their credit.



Figure 1.1

1. One of the most common misconceptions people have is thinking that checking their own credit will lower their credit score. Although an inquiry made by a lender in order to evaluate your loan or credit application could lower your credit rating, your own requests for your credit report, promotional inquiries by credit card companies, and check-up inquiries by your existing creditors will not affect your credit rating.
2. Many people think that there is only one way to calculate their credit score, but this is inaccurate. There are different methods of calculating credit scores, including those developed by each of the three major credit reporting companies. However, most methods of calculation are based on the FICO system. The FICO credit score, developed by Fair Isaac Corporation, is the credit score used most by lenders. It is unique to each individual and takes into account such factors as the length of your credit history, your debt-to-credit ratio and your payment history. It is good practice to always check your credit score before applying for a loan.
3. The assumption that the higher your salary is, the higher your score will be, is not true. In fact, your income and net worth are not reported to any credit reporting company. Your score is based largely upon the amount of debt you have in your personal name, as well as your payment history. The less debt you carry in your personal name, the more likely it is that you'll maintain a high personal credit score.
4. Many consumers think that by paying off their debts, they will increase their credit score immediately. While paying down debt is likely to have a positive impact on your credit score, it won't change your score overnight. Creditors report their customers' payment information to credit reporting companies on a periodic basis, so it may take some time before payments you've made are reflected in your credit score.
5. You may be surprised to learn that, even if you regularly pay off your credit cards in full every month and never carry a balance or pay any interest, you are not going to be rewarded with a higher credit score than someone who carries a reasonable balance and pays interest. This is because the lenders make money by rewarding people who are careful managers of their money, even though they are carrying a balance and paying interest.
6. You may think that it's a good idea to close some of your personal credit card accounts in an attempt to improve your credit score. However, this is not the case. Your credit score will actually go down if you close your credit



card accounts, because the more available credit you have, the better your credit score will be. In other words, the more unused credit you have, the higher your credit rating will be.

Be Credit Wise

Each year, thousands of people apply for credit cards, mortgages, or personal loans, hoping to acquire the lowest interest rate with the highest balance. At the time of their application, it is unlikely that they are up-to-date on their current credit score. In order to secure the best deal, it is important to be knowledgeable about your credit score.

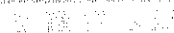
As you begin to utilize this program, one of the most important steps you will learn is how to obtain and understand your credit history and credit score from credit reporting agencies. Equifax, Experian, and TransUnion collect your data and credit history to determine what financial opportunities will be available to you.

It is important for you to realize that the real damage to your personal credit profile comes from revolving lines of credit, whether they're home equity lines of credit or personal credit cards. To get the most favorable treatment from the credit reporting system, you need to maintain less than a 50% balance on your personal credit cards.

The following is an example of how costly low credit scores can be if you do not regularly monitor your personal credit score.

I check my score regularly and a few years ago I was shocked to find a 30-day late payment on my own report. When I investigated this further, I discovered that it was due to a dispute that my mother had made on one of her credit cards. She had listed my name on that credit card as an additional guarantor so that I could use it to manage some of her own real estate holdings and rental property while she was away. She had disputed an inaccurate charge on that card and had not made the payment on the item that was in dispute.

Unfortunately, the dispute was not reported accurately and the credit card company marked it as a 30-day late payment. Since I was an additional guarantor, the disputed activity was recorded on my personal credit report. Once I became aware of this, I was easily able to make an online dispute through Equifax, without having to provide any documentation, and in a few weeks the error was corrected and my good credit score was reinstated.





A 30-day late payment such as that one is obviously a very negative thing to have on your credit report, as it triggers a whole series of very unpleasant situations. You need to realize that the lenders who give us the unsecured new business lines of credit have the right at any time to go back and check on the kind of activity we're doing in our own personal name.

This is why you need to do your due diligence on your own credit report and ensure that your credit partners do the same. Remember, the credit reporting system rewards those who maintain a high credit profile. If you maintain a good credit score and a good profile, the lenders will have no problem lending money to you in the name of your new business.

Lenders also have the right to check your business ID number to see what kind of activity you're generating. However, based on my experience, as long as you maintain a good personal credit score, lenders are not particularly concerned that other lenders are lending money to your new business. A good personal credit score indicates that you're a reasonable credit risk, which will give you full access to these new business lines of credit.

This is the exciting system that we've tapped into. Lenders want profits, and they've determined that the safest and easiest way for them to make money is to look for new businesses to develop long-term relationships with. By implementing my *Shortcut to Money Secrets* guide, you will be able to keep all of your activity out of your own name and personal credit report, and will therefore show the lenders a clean and healthy credit profile.

Be proactive about maintaining a good credit profile by keeping up with all your credit cards, loans and even monthly household payments. In this way, you will ensure a healthy credit standing that will enable you to receive the best credit or loan offers.

We've now completed a thorough explanation of **Step 1: Understanding the Credit Reporting System**. Before we continue with **Step 2: Setting Up a New Business on Paper**, I'm going to answer some frequently asked questions by my clients, following which we'll have a chapter review and go through some exercises.

Questions and Answers

Q: Tom, I thought any business activity on my part would be the only requirement I needed to acquire new business lines of credit from lenders.

A: That may be true in the future as your business grows, but you have to build up to that over time. My system will give you a head start on acquiring these new business lines of credit. Start off by tapping into the lenders on my Lenders' Contact List, who are prepared to lend up to \$20,000 to a brand new business, based on a healthy personal credit profile. If your credit is not good at the moment, my system gives you tips on how to improve it.

By combining several unsecured business lines of credit, you will be able to build a stronger business presence, which you can show to other lenders who want to see a more detailed lending profile. This is the first step toward having a business that could enable you to acquire non-recourse business lines of credit. However, as I said, you need to be patient and build toward that.

Q: Can I acquire business lines of credit if my personal credit is not so good?

A: Yes. Step 3 of my system will provide techniques on how to acquire business lines of credit while working to improve your personal credit. Anyone with average personal credit can start to acquire business lines of credit. If your credit is really bad, my system will teach you how to build it up to the point where you will be able to have access to the full \$200,000 in business credit that is available.

Q: Do you know if my credit score will be negatively impacted if I refinance my home?

A: It has been my experience that traditional mortgages on your credit report are not as damaging as people believe they are. Some people are going to want to tap into the equity in their home, but you need to do it in a way that mitigates any possible damage that can be done to your personal credit score.

The real damage to your personal credit profile comes from revolving lines of credit, whether they're home equity lines of credit or personal credit cards.

4 3 2 1 0

Obviously, you want to continue to use your personal credit cards and possibly carry a balance, but it is important for you to understand that you must maintain less than a 50% balance on your personal credit cards to get the most favorable treatment from the credit reporting system.

One of the ways that the credit reporting system scores you is by totaling all available credit on your credit cards, so don't make the mistake of closing any unused credit cards, as this could damage your credit score.

4 3 2 1 0

Chapter One Review

The credit reporting system is a very complex one, with very specific and complicated formulas that determine what your credit score is with each of the three credit reporting agencies. It is built upon the idea of securing accurate information that will be used by financial institutions to assess your credit risk.

Credit reporting agencies collect, maintain and update your personal credit profile. Their reports will identify how much debt you carry and what your payment history is. It will also list any judgments, liens or bankruptcies, and any record of inquiries for new credit.

The three credit reporting agencies are:

1. Equifax (www.equifax.com)
2. Experian (www.experian.com)
3. TransUnion (www.transunion.com)

They are independent companies that do not share any information, although they will alert the appropriate authorities of any fraudulent activity.

Each of the online services will offer you the option of monitoring your credit report on a monthly basis, and notify you of any changes to your credit report. The website I use and recommend is www.equifax.com. For a reasonable one-time fee, you can purchase a three-in-one report and your Fair Isaac Credit Organization (FICO) score.

A FICO (Fair Isaac Credit Organization) score is a Federal Trade Commission-approved method of calculating a person's credit score and assessing their credit risk.

Various individuals, including lenders, employers, landlords and/or service providers, can access your credit report, including your FICO score, by purchasing it from one of the three agencies. Your report will assist them in assessing your financial stability and determining whether you can be trusted with additional funding.

That is why you need to regularly check your credit score and carefully review what is showing up on your personal credit report. Lenders who give us the unsecured new business lines of credit have the right at any time to go back and check on the kind of activity we're doing in our own personal name.

Being knowledgeable about what goes into determining your credit score is a valuable strategy to increase your buying power. Another powerful strategy is learning how to utilize and manage your credit.

FINANCIAL

It is very important for you to review your credit on an ongoing basis to ensure that everything is being reported correctly and to check what potential creditors are seeing on your report. You need to do your due diligence and ensure that your credit partners do the same. The credit reporting system rewards those who maintain a high credit profile, so if you maintain a good credit score and a good profile, the lenders will have no problem lending money to you in the name of your new business.

A good personal credit score indicates that you're a reasonable credit risk, which will give you full access to these new business lines of credit. Be proactive about your maintaining a good credit profile by keeping up with all your credit cards, loans and even monthly household payments. In this way, you will ensure a healthy credit standing that will enable you to receive the best credit or loan offers.



Chapter One Exercises

What are the three credit reporting agencies?

1. _____
2. _____
3. _____

Why is it important to maintain a good personal credit score?

List the common misconceptions when managing a personal credit score.

Pull your three-in-one credit score on www.equifax.com.

What is your personal credit score?

What are the three biggest negative items on your report?

1. _____

2. _____

3. _____

What is the total of your available revolving credit that you can use on all your personal credit cards?

How much of that are you using?

Is this amount more than 50% of your available credit?

What are some of the ways you can lower this amount?

Q A W E R

Make an online dispute if you have any negative items.

Use the credit score simulator on the www.equifax.com website to test different ways to improve your credit score.

- | | | | |
|------|----|-------|--|
| True | OR | False | Personal and business credit have the same effect on your credit report. |
| True | OR | False | My system recommends keeping all of your personal activity on your personal credit card. |
| True | OR | False | Checking your own credit will lower your credit score. |
| True | OR | False | Closing some of your personal credit card accounts will improve your credit score. |
| True | OR | False | A good personal credit score indicates that you are a reasonable credit risk. |



Chapter Two

Step 2: Setting Up a New Business on Paper

Now that you have been given a good foundation on the credit reporting system in Chapter One and are learning how to manage your personal credit, we can move on to the next step in my four-step system, which is how to set up your new business.

Before we go into the details of setting up a new business, however, we're going to take a few minutes to clarify what constitutes a business and discuss the merits of forming a corporation.

What Constitutes a Business?

A business is a vehicle through which anyone can conduct commerce. When the business entity has been legally registered with the federal government and the state in which it conducts its operations, it is often referred to as a corporation.

A corporation is a legal entity formed by individuals who own and operate it. It has its own legal rights, liabilities, and responsibilities that are separate from the owners' legal responsibilities and liabilities.

A corporation is quite different from a sole proprietorship, where there is no legal separation and the owner is personally responsible for any activities conducted by the business. It is important for you to understand that there is no personal asset protection or personal credit protection for people who do business as sole proprietors.

If you have a sole proprietorship, you can only use your social security number on all your business forms. However, if you incorporate your company, you will be given a Federal Employer Identification Number (EIN) that you can use for your business. An EIN is a number that is provided to you, at no charge, by the IRS when you set up your business. It is used for reporting all federal tax information on a K-1 business tax return.



Why Form a Corporation?

Forming a corporation is the only way to separate personal credit and personal liability from business activity. With an incorporated company, the company itself, not the individual owners, assumes responsibility for its activities. In other words, an incorporated business has its own separate legal entity.

The corporation's debts and taxes are separated from its owners, shareholders, officers, and directors. In this way, a corporation offers personal liability protection, as well as tax advantages, for the owners and operators. A corporation enables its owners to borrow money in the name of the company so that the loan is not reported on the owner's personal credit. This is a huge advantage to the owners of a company as it protects their personal credit.

Tax savings are an additional incentive for incorporating your business. Corporations are legally entitled to numerous tax deductions that are not available to individuals or sole proprietors. Corporations also have a lower federal tax rate at all levels of income. In addition, the cost of forming and registering a business entity can be immediately recovered in tax savings.

Another benefit of a corporation is that the business will continue to exist even after the death of an owner or shareholder, which therefore offers tremendous estate planning advantages.

Options Summary

To help you make a decision on whether or not to form a corporation, let's weigh your various options by going through the following:

- 1. Do you want to protect your personal assets against any liabilities your business may incur?**

As I've already pointed out, forming a corporation is the only way for you to protect your personal assets from any business activity conducted in the name of your company. This is because the incorporated company, and not the individual owner, will assume all responsibility for the company's activities.



2. Are you starting out with any partners?

If you are thinking of starting out your corporation with partners, you do need to consider several factors, including the type and structure of your partnership, the partnership profit split, and how the assets and debts will be split should the corporation be dissolved. In Step 3, we will provide more information on this and also go through in more detail the benefits of working with partners.

3. Do you now have or plan to have employees?

If you intend to hire employees, you must have a sound knowledge of the legal requirements between employer and employee in the state where your business is registered. You also need to have employee contracts, job descriptions, and a budget on salaries, bonuses, etc.

4. Would you like your business to continue in the event of the death of one of the partners?

You need to take into account succession planning, as well as partnership transfer or exit strategies. A corporation will enable you to maintain the legal structure while entertaining any change in the management or ownership of the business. There could be additional tax advantages offered to a corporation that may not be available to other forms of business entities.

The above information should give you a good start on recognizing the benefits of forming a corporation. Additional information is readily available from your state's government offices, as well as various resource engines, and you should also consider consulting with an attorney or professional accountant. As you are already armed with substantial information, however, be sure to make it clear that all you need is a brief consultation.

My *Shortcut to Money Secrets* is a powerful system because it teaches you how to conduct all of your activity in the name of a business rather than in your own personal name. When you start a business, you are creating a separate entity, and any activity that you do in the name of that business will only be reported under the Federal Employer Identification Number (EIN) of the business. By keeping all our investment activities out of our own name and credit report, we are able to show lenders a clean and healthy credit profile.

In the future, as your business continues to grow, you will be able to acquire larger lines of business credit because your business has developed its own successful identity that is completely separate from your personal one.

One of the big advantages of using my guide is that you will not need a business plan or business financials to start acquiring business credit. As your business expands, you can use the tools of this separate business entity to get access to millions of dollars of capital.

Setting Up a New Business

As any successful real estate investor will tell you, one of the most important steps in establishing a sound investment portfolio is to take the time to prepare each and every element of your business. Registering your business name is the best way to begin to achieve your investment goals.

My *Shortcut to Money Secrets* system works for both existing businesses that generate revenue, as well as new business entities that have yet to generate any sales or revenue.

If, however, you would like to obtain business credit for a new business, I suggest you use paper mail-in applications whenever available. Based on my experience, this is the easiest and most efficient method for new businesses to apply for business credit.

Let's now go over the best way to start up a new business. From there, we'll go through some basic guidelines and explain the differences between the four most common types of business entities.

To create a new business, you need to start by selecting a name that is not already in use, and then file your application with the state in which you intend to conduct your business.

You will also need to apply for a Federal Employer Identification Number (EIN) when you set up a new business. An EIN is used in the same way as a personal social security number is used to identify an individual, except that an EIN is used to identify a business entity instead of a person.

Examples of an application for an LLC and an application for an EIN can be found on the following pages.



**STATE OF WASHINGTON
SECRETARY OF STATE**

- Please PRINT or TYPE in black ink.
- Sign, date and return original AND ONE COPY to:

CORPORATIONS DIVISION
801 CAPITOL WAY SOUTH • PO BOX 40234
OLYMPIA, WA 98504-0234

- BE SURE TO INCLUDE FILING FEE. Checks should be made payable to "Secretary of State"

**APPLICATION TO FORM A
LIMITED LIABILITY COMPANY**

(Per Chapter 25.15 RCW)

FEE: \$175

**EXPEDITED (24-HOUR) SERVICE AVAILABLE - \$20 PER ENTITY
INCLUDE FEE AND WRITE "EXPEDITED" IN BOLD LETTERS
ON OUTSIDE OF ENVELOPE**

FOR OFFICE USE ONLY

FILED: / /	UBI:
CORPORATION NUMBER:	

Important! Person to contact about this filing	Daytime Phone Number (with area code)
--	---------------------------------------

CERTIFICATE OF FORMATION

NAME OF LIMITED LIABILITY COMPANY (LLC) (Must contain the word "Limited Liability Company," "Limited Liability Co.," "LLC," or "LLC")	
ADDRESS OF LLC'S PRINCIPAL PLACE OF BUSINESS	
Street Address (Required) _____ City _____ State _____ ZIP _____	
PO Box (Optional - Must be in same city as street address) _____ ZIP (If different than street ZIP) _____	
EFFECTIVE DATE OF LLC (Specified effective date may be up to 90 days AFTER receipt of the document by the Secretary of State)	
<input type="checkbox"/> Specific Date: _____ <input type="checkbox"/> Upon filing by the Secretary of State	
DATE OF DISSOLUTION (If applicable)	MANAGEMENT OF LLC IS VESTED IN ONE OR MORE MANAGERS
	<input type="checkbox"/> Yes <input type="checkbox"/> No

>>> PLEASE ATTACH ANY OTHER PROVISIONS THE LLC ELECTS TO INCLUDE <<<

NAME AND ADDRESS OF WASHINGTON STATE REGISTERED AGENT		
Name _____		
Street Address (Required) _____ City _____ State _____ ZIP _____		
PO Box (Optional - Must be in same city as street address) _____ ZIP (If different than street ZIP) _____		
I consent to serve as Registered Agent in the State of Washington for the above named LLC. I understand it will be my responsibility to accept Service of Process on behalf of the LLC; to forward mail to the LLC; and to immediately notify the Office of the Secretary of State if I resign or change the Registered Office Address.		
Signature of Agent	Printed Name	Date

NAMES ADDRESSES OF EACH PERSON EXECUTING THIS CERTIFICATE (If necessary, attach additional names and addresses)		
Printed Name	Signature	
Address	City	State ZIP
Printed Name	Signature	
Address	City	State ZIP
Printed Name	Signature	
Address	City	State ZIP

INFORMATION AND ASSISTANCE - 360/753-7115 (TDD - 360/753-1485)

025-001 (9/99)

Disclaimer: This form is a sample and is provided for reference purposes only. For information on where to obtain the relevant forms, refer to <http://www.secstate.wa.gov/corps/forms/llc.pdf>

Form **SS-4**
(Rev. July 2007)

Department of the Treasury
Internal Revenue Service

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)
See separate instructions for each line. Keep a copy for your records.

OMB No. 1545-0003

EIN

1 Legal name of entity (or individual) for whom the EIN is being requested

2 Trade name of business (if different from name on line 1)

3 Executor, administrator, trustee, "care of" name

4a Mailing address (room, apt., suite no. and street, or P.O. box)

5a Street address (if different) (Do not enter a P.O. box.)

4b City, state, and ZIP code (if foreign, see instructions)

5b City, state, and ZIP code (if foreign, see instructions)

6 County and state where principal business is located

7a Name of principal officer, general partner, grantor, owner, or trustor

7b SSN, ITIN, or EIN

8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? ☐ Yes ☐ No

8b If 8a is "Yes," enter the number of LLC members ☐ Yes ☐ No

8c If 8a is "Yes," was the LLC organized in the United States? ☐ Yes ☐ No

9a Type of entity (check only one box). Caution: If 8a is "Yes," see the instructions for the correct box to check.

☐ Sole proprietor (SSN) ☐ Estate (SSN of decedent)

☐ Partnership ☐ Plan administrator (TIN)

☐ Corporation (enter form number to be filed) ☐ Trust (TIN of grantor)

☐ Personal service corporation ☐ National Guard ☐ State/local government

☐ Church or church-controlled organization ☐ Farmers' cooperative ☐ Federal government/military

☐ Other nonprofit organization (specify) ☐ REMIC ☐ Indian tribal governments/enterprises

☐ Other (specify) ☐ Group Exemption Number (GEN) if any

9b If a corporation, name the state or foreign country (if applicable) where incorporated

State

Foreign country

10 Reason for applying (check only one box)

☐ Started new business (specify type)

☐ Banking purpose (specify purpose)

☐ Changed type of organization (specify new type)

☐ Purchased going business

☐ Hired employees (Check the box and see line 13.)

☐ Created a trust (specify type)

☐ Compliance with IRS withholding regulations

☐ Created a pension plan (specify type)

☐ Other (specify)

11 Date business started or acquired (month, day, year). See instructions.

12 Closing month of accounting year

13 Highest number of employees expected in the next 12 months (enter -0- if none).

Agricultural Household Other

14 Do you expect your employment tax liability to be \$1,000 or less in a full calendar year? ☐ Yes ☐ No (If you expect to pay \$4,000 or less in total wages in a full calendar year, you can mark "Yes.")

15 First date wages or annuities were paid (month, day, year). Note: If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year).

16 Check one box that best describes the principal activity of your business.

☐ Construction ☐ Rental & leasing ☐ Transportation & warehousing ☐ Health care & social assistance ☐ Wholesale-agent/broker

☐ Real estate ☐ Manufacturing ☐ Finance & insurance ☐ Accommodation & food service ☐ Wholesale-other ☐ Retail

☐ Other (specify)

17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.

18 Has the applicant entity shown on line 1 ever applied for and received an EIN? ☐ Yes ☐ No

If "Yes," write previous EIN here

Third Party Designee

Designee's name

Designee's telephone number (include area code)

Address and ZIP code

Designee's fax number (include area code)

Under penalty of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.

Name and title (type or print clearly)

Applicant's telephone number (include area code)

Applicant's fax number (include area code)

Signature

Date

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Call No. 16055N

Form **SS-4** (Rev. 7-2007)

Disclaimer: This form is a sample and is provided for reference purposes only. For information on where to obtain the relevant forms, refer to <http://www.irs.gov/pub/irs-pdf/fss4.pdf>

Form SS-4 (Rev. 7-2007)

Do I Need an EIN?

File Form SS-4 if the applicant entity does not already have an EIN but is required to show an EIN on any return, statement, or other document.¹ See also the separate instructions for each line on Form SS-4.

IF the applicant...	AND...	THEN...
Started a new business	Does not currently have (nor expect to have) employees	Complete lines 1, 2, 4aEa, 8b-c (if applicable), 9a, 9b (if applicable), and 10L and 16P.
Hired (or will hire) employees, including household employees	Does not already have an EIN	Complete lines 1, 2, 4aE, 7a-b (if applicable), 8a, 8b-c (if applicable), 9a, 9b (if applicable); 10P.
Opened a bank account	Needs an EIN for banking purposes only	Complete lines 1cb, 7a-b (if applicable), 8a, 8b-c (if applicable), 9a, 9b (if applicable), 10, and 18.
Changed type of organization	Either the legal character of the organization or its ownership changed (for example, you incorporate a sole proprietorship or form a partnership) ²	Complete lines 1P (as applicable).
Purchased a going business ³	Does not already have an EIN	Complete lines 1P (as applicable).
Created a trust	The trust is other than a grantor trust or an IRA trust ⁴	Complete lines 1P (as applicable).
Created a pension plan as a plan administrator ⁵	Needs an EIN for reporting purposes	Complete lines 1, 3, 4aCb, 9a, 10, and 18.
Is a foreign person needing an EIN to comply with IRS withholding regulations	Needs an EIN to complete a Form W-8 (other than Form W-8ECI), avoid withholding on portfolio assets, or claim tax treaty benefits ⁶	Complete lines 1cb, 7a-b (SSN or ITIN optional), 8a, 8b-c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is administering an estate	Needs an EIN to report estate income on Form 1041	Complete lines 1E, 9a, 10J, 13O (if applicable), and 18.
Is a withholding agent for taxes on non-wage income paid to an alien (i.e., individual, corporation, or partnership, etc.)	Is an agent, broker, fiduciary, manager, tenant, or spouse who is required to file Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	Complete lines 1, 2, 3 (if applicable), 4aCb, 7a-b (if applicable), 8a, 8b-c (if applicable), 9a, 9b (if applicable), 10 and 18.
Is a state or local agency	Serves as a tax reporting agent for public assistance recipients under Rev. Proc. 80-4, 1980-1 C.B. 581 ⁷	Complete lines 1, 2, 4aCb, 9a, 10 and 18.
Is a single-member LLC	Needs an EIN to file Form 8832, Classification Election, for filing employment tax returns, or for state reporting purposes ⁸	Complete lines 1P (as applicable).
Is an S corporation	Needs an EIN to file Form 2553, Election by a Small Business Corporation ⁹	Complete lines 1P (as applicable).

¹ For example, a sole proprietorship or self-employed farmer who establishes a qualified retirement plan, or is required to file excise, employment, alcohol, tobacco, or firearms returns, must have an EIN. A partnership, corporation, REMIC (real estate mortgage investment conduit), nonprofit organization (church, club, etc.), or farmers' cooperative must use an EIN for any tax-related purpose even if the entity does not have employees.

² However, do not apply for a new EIN if the existing entity only (a) changed its business name, (b) elected on Form 8832 to change the way it is taxed (or is covered by the default rules), or (c) terminated its partnership status because at least 50% of the total interests in partnership capital and profits were sold or exchanged within a 12-month period. The EIN of the terminated partnership should continue to be used. See Regulations section 301.6109-1(d)(2)(ii).

³ Do not use the EIN of the prior business unless you became the "owner" of a corporation by acquiring its stock.

⁴ However, grantor trusts that do not file using Optional Method 1 and IRA trusts that are required to file Form 880-T, Exempt Organization Business Income Tax Return, must have an EIN. For more information on grantor trusts, see the instructions for Form 1041.

⁵ A plan administrator is the person or group of persons specified as the administrator by the instrument under which the plan is operated.

⁶ Entities applying to be a Qualified Intermediary (QI) need a QI-EIN even if they already have an EIN. See Rev. Proc. 2000-12.

⁷ See also *Household employer* on page 4 of the instructions. Note, State or local agencies may need an EIN for other reasons, for example, hired employees.

⁸ Most LLCs do not need to file Form 8832. See *Limited liability company (LLC)* on page 4 of the instructions for details on completing Form SS-4 for an LLC.

⁹ An existing corporation that is electing or revoking S corporation status should use its previously-assigned EIN.

Printed on recycled paper.

Disclaimer: This form is a sample and is provided for reference purposes only. For information on where to obtain the relevant forms, refer to <http://www.irs.gov/pub/irs-pdf/fss4.pdf>



Generally, you need an EIN when your business:

- Is new
- Hires, or will hire, employees
- Is an LLC or Corporation
- Opens a bank account

An EIN is also known as a tax identification number. Legally, you are required to identify your business with one of two numbers: either your social security number or an EIN.

Once you have filed a new business name, your business information will become public record and automatically be provided to lenders who extend credit to new businesses. In turn, this will trigger lenders, including the ones on my Lenders' Contact List, to mail out paper applications for new business credit. However, you need to be aware that it may take six to eight weeks before you start receiving those applications.

To take the best advantage of this automatic process, when you register your new business, it is very important that you use a mailing address that will allow you to easily receive mail. I do not recommended that you use a P.O. Box as the mailing address for your new business address when you file with your state, as some lenders will not mail credit applications to a P.O. Box. A home office address is the best way to ensure that you will receive the paper applications for credit from lenders.

As you expand your portfolio, you may find it necessary to set up several business names. Even if that is the case, you can still use the same mailing address for all of them. I currently have 24 different business names, and I use the same home office address for every one of them.

If you file for an out-of-state business and are using a registered agent for your business address, make sure they forward ALL your business mail to you. Some agents may assume that these applications for business credit are junk mail and may throw them away, unless you instruct them to forward them to you.

When you are ready to start your own business, you have three options to choose from. Whatever option you select, make sure you implement it quickly because you won't be able to acquire ANY business credit until you have completed the critical step of registering your new business name.





You can start a business by:

1. Choosing a name and filing the paperwork over the Internet by yourself
2. Hiring a company to assist you in completing the paperwork
3. Hiring a professional business advisor to do it for you

Let's go through the options one at a time so that you can decide which one is best for you.

Option 1: Doing it yourself

You can register your new business name yourself on the Internet by going to your Secretary of State's website, completing the form and filing the registration fee. Most states charge a small fee to file a new business name.

To find your secretary of state's website, type in "secretary of state" and the name of your state into your search engine.

Once you have received your paperwork from your secretary of state, you can contact the IRS to obtain an EIN.

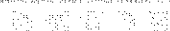
Option 2: Hiring a company to assist you

If you're not comfortable doing it yourself, you can hire an experienced company to file your business paperwork for you. It is often worth the cost to have the whole process of setting up your new business name and filing the proper paperwork handled by a professional service provider.

If you decide to take this route, I recommend that you use www.LLCatCashFlow.Biz. I have negotiated a very good group discount for all my clients who use this service, so make sure you mention my name when you contact them. I find this service highly reliable and use it on a regular basis whenever I am setting up a new business name.

Option 3: Hiring an advisor to do it for you

The third option is to hire a professional business advisor to assist you in setting up your new business. You have several choices when it comes to the type of business entity you create and how that business will be classified for taxation purposes. State laws also vary, as does the cost of setting up a new business. Professional business advisors provide a complete range of services, including tax advice, asset management, and suggestions on the type of business entity that would best suit your needs.



I recommend that you use the same company that has set up all of my business entities over the years, and provides business and tax consulting for me on an ongoing basis. You can get all your questions answered, have a business entity created in any state, and receive one full year of business consulting for a very reasonable fee.

As a customer of long standing, I have been able to negotiate a special rate for any of my clients who choose to use this service. To take advantage of this service, go to: www.GetYourBusinessStartedNow.Biz

Types of Business Entities

Having discussed the merits of incorporating your business, let's now review the four most common types of business entities in detail, and discuss the pros and cons of each.

When forming a business, there are several types of entities to choose from. However, when it comes to implementing my system, the best options for your new business entity are:

1. Limited Liability Companies (LLC's)
2. Limited Liability Partnerships (LLP's)
3. C Corporations (C-Corps)
4. Subchapter S Corporations (S-Corps)

Let's now review each of these business entities in detail.

Limited Liability Companies (LLC's)

According to Barron's, the world's leading business and financial publication, "A limited liability company may be an excellent way to own real estate because it may provide many of the legal advantages of a corporation and the tax advantages of a partnership."

Although an LLC is ideal for real estate investing, it can also be an excellent choice for many other investment opportunities. As a successful investor whose diverse investment portfolio includes some real estate holdings, it has been my experience that the LLC provides the best flexibility and is the most advantageous for conducting my real estate transactions. Of course, I am not in a position to give you legal or accounting advice – you need to get that from your personal advisor, who is familiar with your



state's laws and your business objectives. However, I have found that, whenever I conduct my real estate activities through an LLC, I gain the best tax advantages using the simplest accounting methods.

Here is a general overview of the LLC and its advantages for you and your prospective partners.

An LLC is one of the most flexible and popular forms of business entities. Basically, this form of corporate structure allows the partners and/or shareholders to maintain a fixed and limited level of liability and responsibility in the operations of a company. It combines the personal liability protection of a corporation with the tax benefits and simplicity of a partnership. Like shareholders in a corporation, the partners (or members) of an LLC are not personally responsible for its debts and liabilities. Furthermore, they will benefit from being taxed only once on their profits.

Since an LLC does not have the same restrictions as other corporate entities when it comes to the make-up of partners, you will be able to assemble a variety of successful and experienced shareholders that could include companies or even investors from foreign countries.

LLC's are state regulated and are therefore formed by filling out the necessary paperwork and paying the required fees, which vary by state.

An LLC can be managed by all of the members, some of the members, or by a separately designated party. In all states, except for Massachusetts, you are allowed to create an LLC with only one member. Massachusetts requires at least two members.

When there is more than one member, the key to operating a successful LLC is to create an Operating Agreement, which is also known as a Member Control Agreement. A Member Control Agreement lays out the rules of LLC management, the responsibilities of its members, how profits are to be divided, and how member interests can be sold. You should be aware that such provisions have a direct impact on taxation. Also, when you establish the structure of the LLC at the outset, the likelihood of conflict down the road is greatly diminished.



How to Set Up Your LLC

To set up your LLC, registration is required in the state where you will be conducting your business. It is important to note that state laws governing LLC's can differ from state to state, and you must therefore be aware of the business requirements of your chosen state. Generally, two documents, along with a filing fee, are required:

- The Articles of Organization
- The Member Control Agreement that outlines the company's policies

The Articles of Organization requires the following:

1. LLC's name and address
2. Description of the type of business
3. The registered agent
4. The name of manager(s) and members of the LLC

Most Secretary of State websites will have forms that you can download and complete. Remember that state laws governing LLC's can differ from state to state, so you need to be aware of the business requirements of your chosen state. For an example of an Articles of Organization, refer to the sample form on the next page.





ROSS MILLER
Secretary of State
206 North Carson Street
Carson City, Nevada 89701-4299
(775) 684 5708
Website: secretaryofstate.biz

Articles of Organization Limited-Liability Company (PURSUANT TO NRS 86)

USE BLACK INK ONLY - DO NOT HIGHLIGHT		ABOVE SPACE IS FOR OFFICE USE ONLY																									
1. Name of Limited Liability Company: <i>(must contain approved limited liability company notation; see instructions)</i>			Check box if a Series Limited-Liability Company <input type="checkbox"/>																								
2. Resident Agent Name and Street Address: <i>(must be a Nevada address where process may be served)</i>	<table border="1"> <tr> <td>Name</td> <td colspan="3"></td> </tr> <tr> <td>(MANDATORY) Physical Street Address</td> <td>City</td> <td>Nevada</td> <td>Zip Code</td> </tr> <tr> <td>(OPTIONAL) Mailing Address</td> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> </table>			Name				(MANDATORY) Physical Street Address	City	Nevada	Zip Code	(OPTIONAL) Mailing Address	City	State	Zip Code												
Name																											
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3. Dissolution Date: <i>(OPTIONAL; see instructions)</i>	Latest date upon which the company is to dissolve (if existence is not perpetual):																										
4. Management:	Company shall be managed by <input type="checkbox"/> Manager(s) OR <input type="checkbox"/> Members <i>(check only one box)</i>																										
5. Name and Address of each Manager or Managing Member: <i>(attach additional page if more than 3)</i>	<table border="1"> <tr> <td>Name</td> <td colspan="3"></td> </tr> <tr> <td>Address</td> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> <tr> <td>Name</td> <td colspan="3"></td> </tr> <tr> <td>Address</td> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> <tr> <td>Name</td> <td colspan="3"></td> </tr> <tr> <td>Address</td> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> </table>			Name				Address	City	State	Zip Code	Name				Address	City	State	Zip Code	Name				Address	City	State	Zip Code
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6. Name, Address and Signature of Organizer: <i>(attach additional page if more than 1)</i>	<table border="1"> <tr> <td>Name</td> <td colspan="3">X Signature</td> </tr> <tr> <td>Address</td> <td>City</td> <td>State</td> <td>Zip Code</td> </tr> </table>			Name	X Signature			Address	City	State	Zip Code																
Name	X Signature																										
Address	City	State	Zip Code																								
7. Certificate of Acceptance of Appointment of Resident Agent:	<p>I hereby accept appointment as Resident Agent for the above named limited-liability company.</p> <p>X Authorized Signature of R.A. or On Behalf of R.A. Company Date</p>																										

This form must be accompanied by appropriate fees.

Reset

Disclaimer: This form is a sample and is provided for reference purposes only. For information on where to obtain the relevant forms, refer to <http://sos.state.nv.us/business/forms/omni/NRS86FormDomestic.pdf>



The Member Control Agreement will be based on the decisions agreed upon between the partners. In the Agreement, you will establish the share of profits, individual responsibilities and what recourse will be taken if a partner decides to leave the entity. Note that in some states, owning an LLC can be limited to 30 years and can also be terminated in the event of the exit or death of a member. In order to transfer ownership, this would have to be stipulated within a clause in the Member Control Agreement.

Filing can be done online at your Secretary of State's website, or you can hire a business advisor or an attorney to do it for you.

LLC Advantages

Keeping members' personal assets protected

One of the best advantages of an LLC is that each partner is protected from the business actions of the company because it is conducting its operations under a Federal Employer Identification Number (EIN). Doing business under this tax ID number allows each partner to separate their personal and business transactions, therefore avoiding any crossover in their personal credit reports.

Protecting members' personal assets in lawsuits

If the debts of an LLC exceed its assets or there is a lawsuit resulting in an adverse judgment, creditors cannot go after the members' personal assets. In other words, you cannot lose your personal savings, home, car, etc.

Taxation benefits

There is no double taxation. An LLC is considered to be a "pass through" entity by the IRS, which means that profits and losses from the business are not taxed at the LLC level. They are passed through to the members of the LLC and taxed on the members' tax returns at the members' level. This is especially important in real estate investing because of appreciating values (capital gains). Whereas, in the case of a corporation, the sale of any property that has appreciated would create a double taxation issue, in an LLC the capital gains are only taxed once at the members' level.





Flexible structure

In an LLC, there are no bylaws to follow or shareholder and director meetings required, which means there are fewer administrative duties required. An LLC doesn't have the same strict regulations dividing profits that corporations are required to follow. In an LLC, the distribution of profits can be changed from time to time based upon the amended Member Control Agreement between the partners. In addition, there is flexibility on how an LLC can choose to be taxed: as a partnership, a corporation or, in the case of a single member, as a sole proprietor.

LLC Disadvantages

Although LLC disadvantages are few, these are some of the key considerations that you need to be aware of during the planning phase.

Future growth restrictions

If you are planning for significant future growth (i.e. having many owners and potentially going public), an LLC is not the choice for you. Although an LLC can change to a corporation (and vice versa), tax consequences are likely to be significant.

There is also a minor marketing positioning point that applies more to businesses serving retail customers. The average person does not know what an LLC is and is likely to have the perception that a business with "Inc" at the end of its name is more permanent and stable.

Limited Liability Partnerships (LLP's)

A Limited Liability Partnership (LLP) shares many components that are similar to a regular partnership, except that it offers reduced personal responsibility for business debts. In other words, limited partners are similar to shareholders of a corporation.

An LLP is also state regulated, but as it is a much newer business entity than the LLC, it is still undergoing scrutiny and amendments. Like an LLC, an LLP allows partners to take an active role in the business and yet enjoy limited personal liability. However, it is important to know that the degree of protection is less in an LLP than it is in an LLC.





In many states, owners of an LLP have what is called a "limited shield", which is a reduced form of limited liability from the claims of the business's creditors. In addition, in many states, the business interests of LLP owners are afforded less protection from the claims of the owners' personal creditors.

The limited shield states are: Alaska, Arkansas, District of Columbia, Hawaii, Illinois, Kansas, Kentucky, Louisiana, Maine, Michigan, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Utah, and West Virginia.

In New York and California, the use of LLP's is limited to attorneys and accountants. In the event a partner commits an act of malpractice, that partner alone is held liable, which makes the LLP a popular choice in those professions.

LLP Advantages

1. A limited partner will share in profits (or losses), with fewer liability risks.
2. A partner's personal assets are not at risk for the debts and obligations of the business.
3. The limitation of liability and the fact that limited partners do not manage the business, make it easy to raise equity capital in the business. This is one of the reasons why an LLP can be an attractive alternative if your investment portfolio includes real estate investments.
4. LLP's do not require the corporate procedures of annual meetings and minutes.

LLP Disadvantages

1. While the limited partner enjoys less risk, the general partner has a lot more to lose. The general partner could place his personal assets at risk if the obligations of the business exceed its assets (as in the case of creditors or lawsuits).
2. A limited partnership is complex and is therefore often used in larger or more sophisticated business entities.
3. There is also the potential for partnership conflict, although that is more common among general than limited partners.





C Corporation (C-Corp)

A C Corporation, which is also called a "regular" corporation or a "C-Corp", assumes an independent legal and tax life that is separate from its members. It has a separate legal entity status, which is similar to an individual who owns assets and has his own social security number.

A Corporation is taxed under Subchapter C of the Internal Revenue Code and is the default corporation formed by the incorporating company.

Unlike an LLC or LLP, the death of shareholders, directors or any officers will have no effect on the existence of the corporation. A corporation must be legally dissolved to terminate.

Corporations are owned by shareholders who elect a board of directors to oversee and manage the business. The board of directors appoints officers to supervise the business and manage its daily functions. In some cases, there are only one-person corporations, meaning one person serves as the only shareholder, board member and officer.

C Corporation Advantages

1. A C Corporation pays taxes on its income, shareholders individually pay taxes on any dividends, and employees of the corporation pay income tax on their salary.
2. If the corporation pays salaries instead of dividends, it can deduct the salary expenses so that the income is taxed only once. A corporation can deduct expenses for employees, health insurance, etc.
3. Shareholders are not liable for the debts or acts of the corporation as long as corporate procedures are followed. Like an LLC, the most a shareholder can lose is the amount paid for their shares.
4. Corporations are generally regarded as being more professional and business-like and are therefore preferred by venture capitalists and individual investors.





C Corporation Disadvantages

1. Annual shareholder meetings, corporate minutes and other required procedures make running a corporation more costly, as do a number of other legal requirements.
2. When a corporation has an office in a state other than the one in which it is incorporated, it must register as a "foreign" corporation.

Subchapter S Corporation (S-Corp)

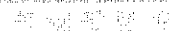
An S Corporation, which is also known as an "S-Corp", is identical to a C Corporation with one twist: it has a special tax designation that identifies it as a small corporation that has met certain requirements under Subchapter S of the Internal Revenue Code.

An S Corporation generally starts out as a C Corporation. Shortly after incorporating a company, the shareholders of the corporation must be in full agreement in order to convert the company from a C Corporation to an S Corporation.

The S Corporation has most of the advantages of the regular C Corporation, but the big difference is that it allows profits to be taxed only at the shareholder level, which eliminates the issue of double taxation.

There are a number of requirements a corporation must meet to qualify for the S designation:

1. Every shareholder must be a citizen or resident of the US.
2. Only certain trusts and estates can be shareholders of an S Corporation.
3. The Corporation cannot have more than 75 shareholders (a husband and wife are considered to be one shareholder).
4. The Corporation can have only one class of stock.
5. The Corporation cannot be a bank, thrift or insurance company.
6. The Corporation's fiscal year must end on December 31st of each year.
7. All of the shareholders must agree to the S Corporation status.





S Corporation Advantages

1. An S Corporation offers all the same benefits of a C Corporation, with some additions. It maintains the advantage of limited liability, ease of raising capital, liquidity of shares and perpetual existence.
2. The S Corporation eliminates double taxation. It is not required to pay federal income taxes but must file a tax return with the IRS to report income.
3. An S Corporation is also required to distribute tax forms to each shareholder. Although that requires more time and effort, the tax savings can be substantial. The S Corporation opens up significant tax-saving estate planning opportunities, and accountants acknowledge that many corporations enjoy tax advantages by being an S Corporation.

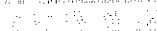
S Corporation Disadvantages

1. S-Corps offer more advantages for people who are providing a service, not investing in real estate.
2. Apart from the limitations set on number of shareholders and class of stock, an S Corporation may not own more than 80% of another corporation.
3. Like a C Corporation, the costs and effort to maintain an S Corporation are higher than for some other business entities.
4. All distributions and allocations must be the same for each share.

If an S Corporation violates any of these rules, the S election will be revoked.

The above information should give you a fairly clear picture of the differences between these four business entities. However, it is always a good idea to access various resource engines to get additional information and acquire more knowledge about these business entities. Remember that I am not in a position to give you legal or accounting advice, so I recommend that you consider consulting with an attorney and tax accountant to help you make your decision.

We've now gone through **Step 1: Understanding The Credit Reporting System (Chapter One)** and **Step 2: Setting Up a New Business on Paper (Chapter Two)**. Before continuing with **Step 3: Working with Partners**, let's answer some questions and do a quick review.



Questions and Answers

Q: Tom, is an LLC preferable over an S-Corp?

A: First of all, I am not in a position to give you legal or accounting advice. That's something you need to determine with your financial advisor or lawyer, who is familiar with your state's laws and your business objectives.

Whether an LLC is preferable to an S-Corp depends on the type of business activity you are conducting. My experience has shown that one of the benefits of an LLC is that it seems to be more advantageous for people who are conducting real estate transactions, whereas an S-Corp is more advantageous for people who are providing a service, rather than investing in real estate.

For more information on this, review the section on LLC and S-Corp advantages and disadvantages in this Chapter.

Q: How much will it cost to set up my business name?

A: That will vary from state to state, but you need to decide what works best for you. You can use any of the three options mentioned in this Chapter: filing the paperwork over the Internet by yourself; hiring a company to assist you in completing the paperwork; or hiring an advisor to do it for you.

Q: After we set up the LLC, how quickly can we start applying for lines of credit, and when will our business credit be available?

A: I recommend that, once you have filed your application with the state in which you intend to conduct business, you should wait for lenders to send you paper applications in the mail. Once your business is registered, the information will be passed to lenders, who will then automatically start sending you paper applications in the mail.

Q: How can I get business credit for a business I set up two years ago?

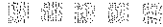
A: I recommend that you contact the lenders on my Lenders' Contact List and request that they mail you paper applications. You can also use the other lending resources listed at the end of my Lenders Contact List. There are some lenders who prefer to work with older businesses like yours. Here's a tip: if you have a two-year old business, it may be worthwhile for you to visit your local bank to request a SIGNATURE line of business credit. It will be an advantage if you do both your personal and business banking at this location.

Q: Can a P.O. Box or Mailboxes Etc. be used as my business address? Or should I use a home office address?

A: You cannot use this system with a P.O. Box. A business credit lending expert I spoke to made it very clear that they want a physical mailing address for your new business.

Q: If I set up several business names, can I use the same home office address for each one?

A: Yes. I currently have 24 different business names, and I use the same home office address for every one of them.



Chapter Two Review

What constitutes a business?

A business is a vehicle through which anyone can conduct commerce. When the business entity has been legally registered with the federal government and the state in which it conducts its operations, it is often referred to as a corporation.

A corporation is formed by individuals who own and operate it. It has its own legal rights, liabilities, and responsibilities that are separate from the owners' legal responsibilities and liabilities.

The difference between a corporation and a sole proprietorship is that there is no personal asset protection or personal credit protection for people who do business as sole proprietors.

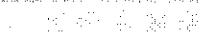
If you have a sole proprietorship, you can only use your social security number on all your business forms. However, if you incorporate your company, you can use your Federal Employer Identification Number (EIN) for your business. An EIN is a number that is provided to you, at no charge, by the IRS when you set up your business. It is used for reporting all federal tax information on a K-1 business tax return.

Why form a corporation?

Forming a corporation is the only way to separate personal credit and personal liability from business activity. With an incorporated company, the company itself, not the individual owners, assumes responsibility for its activities. A corporation enables its owners to borrow money in the name of the company so that the loan is not reported on the owner's personal credit.

The following tax savings are available to corporations:

- Numerous tax deductions that are not available to individuals or sole proprietors
- A lower federal tax rate at all levels of income
- Immediate recovery in tax savings of any costs incurred in forming and registering a business entity
- Estate planning advantages



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Starting a business

Here are the steps to creating a new business:

1. Select a name that is not already in use, and file your application with the state in which you intend to conduct your business.
2. Apply for a Federal Employer Identification Number (EIN). An EIN is used in the same way as a personal social security number is used to identify an individual, except that an EIN is used to identify a business entity instead of a person.

Once this has been done, your business information will become public record and automatically be provided to lenders who extend credit to new businesses. When these lenders have processed your information, they will mail out paper applications to you for new business credit. However, it may take up to six to eight weeks before you start receiving them.

When you register your new business, it is very important that you use a mailing address that allows you to easily receive mail. When you file with your state, don't use a P.O. Box as the mailing address for your new business address, as some lenders will not mail credit applications to a P.O. Box. A home office address is the best way to ensure that you will receive the paper applications for credit from lenders.

As you expand your portfolio, you may find it necessary to set up several business names. Even if that is the case, you can still use the same mailing address for all of them.

If you file for an out-of-state business and are using a registered agent for your business address, make sure they forward ALL your business mail to you.

Options on how to set up a business

You can start a business by:

- Choosing a name and filing the paperwork over the Internet by yourself
- Hiring a company to assist you in completing the paperwork
- Hiring a professional business advisor to do it for you

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When forming a business, there are several types of entities to choose from.

However, when it comes to implementing my system, the best options for your new business entity are:

1. Limited Liability Companies (LLC's)
2. Limited Liability Partnerships (LLP's)
3. C Corporations (C-Corps)
4. Subchapter S Corporations (S-Corps)

Limited Liability Companies (LLC's)

Although an LLC is ideal for real estate investing, it can also be an excellent choice for many other investment opportunities. An LLC is one of the most flexible and popular forms of business entities. It combines the personal liability protection of a corporation with the tax benefits and simplicity of a partnership. Like shareholders in a corporation, the partners (or members) of an LLC are not personally responsible for its debts and liabilities. Furthermore, they will benefit from being taxed only once on their profits.

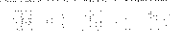
LLC's are state regulated and are therefore formed by filling out the necessary paperwork and paying the required fees, which vary by state.

An LLC can be managed by all of the members, some of the members, or by a separately designated party. In all states, except for Massachusetts, you are allowed to create an LLC with only one member. Massachusetts requires at least two members.

When there is more than one member, the key to operating a successful LLC is to create a Member Control Agreement, which is the best way to avoid any conflict that could arise in the future. A Member Control Agreement sets out the following:

- The rules of LLC management
- The responsibilities of its members
- How profits are to be divided
- How member interests can be sold if they choose to leave the entity

These provisions will have a direct impact on taxation. In some states, owning an LLC can be limited to 30 years and can also be terminated in the event of the exit or death of a member. In order to transfer ownership, this would have to be stipulated within a clause in the Member Control Agreement.



Start Here

To set up your LLC, registration is required in the state where you will be conducting your business. State laws governing LLC's can differ from state to state, and you must therefore be aware of the business requirements of your chosen state.

Generally, two documents, along with a filing fee, are required:

1. The Articles of Organization
2. A Member Control Agreement

The Articles of Organization requires the following:

- LLC's name and address
- Description of the type of business
- The registered agent
- The name of manager(s) and members of the LLC

LLC advantages include:

- Keeping members' personal assets protected
- Protecting members' personal assets in lawsuits
- Taxation benefits
- Flexible structure

LLC disadvantages include:

- Future growth restrictions

Limited Liability Partnerships (LLP's)

A Limited Liability Partnership (LLP) is similar to a regular partnership, except that it offers reduced personal responsibility for business debts.

An LLP is also state regulated, but as it is a much newer business entity than the LLC, it is still undergoing amendments. An LLP allows partners to take an active role in the business and yet enjoy limited personal liability. However, the degree of protection is less in an LLP than it is in an LLC.

In many states, owners of an LLP have what is called a "limited shield", which is a reduced form of limited liability from the claims of the business's creditors. In addition, in many states, the business interests of LLP owners are afforded less protection from the claims of the owners' personal creditors.

Start Here



LLP advantages include:

- A share in profits for limited partners, with fewer liability risks
- No risk to a partner's personal assets for debts and obligations of the business
- Ability to easily raise equity capital in the business
- No requirement for corporate procedures of annual meetings and minutes

LLP disadvantages include:

- More complexities in setting up LLP's
- Potential for partnership conflict
- More risk to the general partner's personal assets if the obligations of the business exceed its assets

C Corporation (C-Corp)

A C Corporation is also called a "regular" corporation or a "C-Corp". It assumes an independent legal and tax life that is separate from its members and has a separate legal entity status, which is similar to an individual who owns assets and has his own social security number.

The death of shareholders, directors or any officers will have no effect on the existence of the corporation. A corporation must be legally dissolved to terminate.

Corporations are owned by shareholders who elect a board of directors to oversee and manage the business. The board of directors appoints officers to supervise the business and manage its daily functions.

C Corporation advantages include:

- Tax benefits
- Ability to deduct salary expenses so that income is taxed only once
- No liability for shareholders as long as corporate procedures are followed

C Corporation disadvantages include:

- Costs involved in running a corporation
- Necessity to register as a foreign corporation when a corporation has an office in a state other than the one in which it is incorporated





Subchapter S Corporation (S-Corp)

An S Corporation, also known as an "S-Corp", has a special tax designation that identifies it as a small corporation that has met certain requirements under Subchapter S of the Internal Revenue Code.

An S Corporation generally starts out as a C Corporation. The shareholders of the corporation must be in full agreement in order to convert the company from a C Corporation to an S Corporation.

The S Corporation has most of the advantages of the regular C Corporation, but the difference is that it allows profits to be taxed only at the shareholder level, which eliminates the issue of double taxation.

The following requirements are necessary to qualify for an S designation:

1. Every shareholder must be a citizen or resident of the US
2. Only certain trusts and estates can be shareholders of an S Corporation
3. The Corporation cannot have more than 75 shareholders (a husband and wife are considered to be one shareholder)
4. The Corporation can have only one class of stock
5. The Corporation cannot be a bank, thrift or insurance company
6. The Corporation's fiscal year must end on December 31st of each year
7. All of the shareholders must agree to the S Corporation status

S Corporation advantages include:

- The same benefits of a C corporation, with the additions of maintaining the advantage of limited liability, ease of raising capital, liquidity of shares and perpetual existence

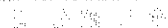


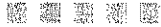


- The elimination of double taxation, although a tax return must be filed with the IRS to report income
- Tax saving estate planning opportunities

S Corporation disadvantages include:

- More advantages for people providing a service rather than investing in real estate
- Apart from the limitations set on number of shareholders and class of stock, an S Corporation may not own more than 80% of another corporation
- Costs and effort to maintain, which are higher than for some other business entities
- All distributions and allocations must be the same for each share
- Revoking of the S election if any rules are violated





Chapter Two Exercises

Describe how you intend to structure your business.

What are the steps you need to do to set up a new business?

What is an EIN?



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What are the three options for starting a business?

Identify and compare the four different types of business entities.

What are some of the advantages and disadvantages of the four business entities?

- True** **OR** **False** "LLC" stands for "Limited Liability Corporation."
- True** **OR** **False** Always use a P.O. Box instead of a street address when applying for paper applications for business lines of credit.
- True** **OR** **False** Once a new business has been registered, it will be provided to lenders, who will automatically start mailing paper applications to these new businesses.
- True** **OR** **False** Your personal credit will be combined with your new business's credit.
- True** **OR** **False** When a loan is made to the new business, that activity will never show up on your own or your partner's credit report.



Chapter Three

Step 3: Working with Partners

One of the simplest but most highly effective keys to successfully implementing my *Shortcut to Money Secrets* system is working with partners. Forming partnerships with people who have good credit ratings will give you access to the best offers from lenders. If your credit rating is not healthy, this is a great resource to tap into.

A strong partnership can be one of the most powerful forms of business leverage. Most successful investors in the world work with a team of support people and partners. Despite this, according to BizStats.com, only 6% of small businesses operate in the form of partnerships.

Working with partners is an essential component of my system, as it will enable you to acquire the largest possible amount of business credit. If you have poor personal credit, you will be limited in the amount of business credit your new business will receive. Of course, it is still possible to acquire some business credit, even if you have a low personal credit score. However, if you have really bad credit, you should strongly consider following the formula in this chapter and start working with partners.

The key to a successful partnership is learning how to structure it so that all parties know what is expected of them.

Member Control Agreement and Addendum

When setting up a partnership, you need to ensure that all parties are in agreement regarding the structure of the company and the direction that it should take. Partnerships not only need to be well thought out, but also clearly spelled out in advance to allow them to run smoothly.

This is why a Member Control Agreement is essential to your business. This document outlines the general terms of the agreement between you and your partners. It must be specific to your state's governing rules and is often identical to the agreement that is used when forming an LLC.

A Member Control Agreement should cover the following:

- Type of business
- Member contribution
- Duration of partnership
- Percentage of ownership for each partner
- Payment of incidental costs incurred
- Distribution of assets on completion of partnership

You also need to draw up an Addendum to the Member Control Agreement that will spell out anything that is specific or unique about the way the partnership is going to be run, including the individual responsibilities of each partner, the amount of capital invested by each partner, and the distribution of profits between the partners.

Every time I create a new business entity such as an LLC, I use the same Member Control Agreement. The only difference from partnership to partnership is in the one-page Addendum that I create.

In the Addendum, ensure that you spell out the following:

- Which partners will have responsibility or decision-making ability?
- Who will manage the check book?
- Who will be responsible for acquiring additional financing or mortgages if the business lines of credit do not provide enough money to buy a property outright?
- Who will ultimately be in charge of when and how the partnership sells the properties?

I also specify in the Addendum that every one of my partners is required to apply for an unsecured new business line of credit using the name of the LLC that has been created and their own credit reference (meaning their own name and social security number).

This means each partner you bring in is required to obtain an unsecured business line of credit up to a certain agreed-upon dollar amount. This amount, whether it is \$20,000, \$40,000 or \$60,000, is completely negotiable between the partners and is based on what assets each partner is bringing into the group LLC.



Earlier on in this chapter, I mentioned how my Shortcut to Money Secrets system can still work for you even if you have extremely bad credit. This is where the advantage of working with partners really comes into play. As the individual who has initiated and is structuring this partnership, you are in the driver's seat. It's up to you to decide how much each partner should contribute toward the group LLC. If, therefore, you have really bad credit and are not in a position to acquire a line of credit on your own, you can use the leverage and assets that your partners will bring to the business partnership. As your credit rating improves, you can then start to apply for lines of credit while continuing to take advantage of your partners' strong credit ratings.

Examples of a Member Control Agreement and Addendum can be found in the following pages.

Sample Member Control Agreement

THE RULES GOVERNING _____ INVESTMENT LLC.

Member contribution _____ [e.g. \$30,000]

This partnership will operate for _____ years and will invest in markets that _____ has identified as having the best opportunities.

_____ LLC. will sell each property as quickly as possible and will market all properties as for sale 6 months before the end of this partnership.

_____ will make all decisions regarding type of property purchased, the amount of rehabilitation work to be done, and the timing of the final sale of the properties.

Profits are split based on percentage of ownership in the LLC.

Each partner may owe tax on their share of the capital gains even if they have not received the gain at the end of the first year.

This partnership will pay the normal ongoing cost of any necessary property repairs, management, and real estate commissions or finders' fees.

Each partner will apply for several simple \$20,000 limit credit cards in the name of the LLC.

This card will be used to finance any necessary expenses of the partnership and to give the partners their principal back as cash advances are taken from the credit cards.

Name: _____

Address: _____

City: _____

Phone: _____

Social Security Number: _____

Signature: _____ Date: _____

Disclaimer: This is a sample contract and is only intended as an example for agreements between partners. Please consult a legal professional for advice.

Sample Addendum to LLC Member Control Agreement

- State amount of member contribution (specify dollar amount).
- This partnership will operate for (number of) years and will invest in markets that (name of partner) has identified as having the best opportunities.
- The LLC will sell each property as quickly as possible and will list all properties for sale (number of) months before the end of this partnership.
- (Specify main partner's name) will make all decisions regarding the type of property purchased, the amount of repairs to be done, and the timing of the final sale of the properties.
- Profits will be split based on the percentage of ownership in the LLC.
- Each partner may owe tax on their share of the capital gains, even if they have not received the gain at the end of the calendar year.
- This partnership will be responsible for ongoing maintenance and repairs of the property, as well as management, real estate commissions and finder's fees.
- Each partner will apply for several simple-limit (stipulate amount) credit cards and business credit lines in the name of the LLC. These cards will be used to finance any necessary expenses of the partnership and any cash advances taken from the business credit cards will be used to substitute the principal contribution of the partners.

Print Name: _____
Address: _____
City: _____
Phone: _____
Social Security Number: _____
Birth date: _____
Mother's maiden name: _____
Signed by: _____
Date: _____

Disclaimer: This is a sample contract and is only intended as an example for agreements between partners.
Please consult a legal professional for advice.



Division of Profits

The final consideration to be made when you are planning a partnership is how the profits will be split among the partners. This is something you will have to negotiate with each partner.

As the individual who has initiated this business venture and is knowledgeable about implementing my *Shortcut to Money Secrets* system, you are obviously in a position of strength to negotiate your percentage of profits. Always plan to get paid a fair share of the profits, even if you do not contribute any money or credit to the partnership. Remember that your partners would not be benefiting at all if you hadn't brought this great opportunity to their attention in the first place. They would also not be in a position to generate any profits if it weren't for your knowledge in setting up and operating this partnership.

When it comes to dividing profits, there is no standard method or guideline. It is completely negotiable. You can create an LLC where you are a 90% owner and have five other partners, each holding a 2% ownership in the LLC. However, you must be careful to state clearly in the written Member Control Agreement what each partner will be contributing and why some partners may be receiving a smaller share of the profits, even though they are contributing more cash or credit. Making this clear from the start will avoid any potential confusion and bad feeling that could otherwise arise later.

Profits should be determined according to the contribution from each of your partners. The more each partner brings to the partnership, the higher percentage of profits that partner should receive.

Make sure you specify in writing that profits will be divided according to each member's ownership percentage. If you are a 50% member in the partnership, you will receive 50% of the profits. If you are a 10% member in the partnership, you will receive 10% of the profits.

Forming Partnerships

Please review this step even if you currently have a good credit rating. Even people with excellent personal credit, who feel they don't need to work with partners, will have much more success in business if they use the leverage and assets that other people bring to a business partnership.



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Consider this: every individual is limited to one line of business credit per lender. If you are the only member in your business entity, your company will only be able to acquire \$200,000 to \$400,000 in business credit.

If you are planning to start more than one business in the expectation of acquiring more than \$400,000 from the same group of lenders, then you will need to add a credit partner to your business.

I strongly advocate working with partners when using my *Shortcut to Money Secrets* system. Even though I have an excellent credit rating, I continue to work with partners because I know how beneficial it is for me financially. Working with partners has helped me acquire millions of additional dollars in business credit that I could not otherwise have obtained on my own.

Investing is much easier and more profitable when you work with partners, whether they're cash partners, credit partners, or working partners.

Here are some suggestions on forming profitable partnerships:

1. Finding and screening potential partners
2. Planning and structuring how you will work with partners
3. Scripting and practicing your presentation to potential partners
4. Showing your partners a written plan of action
5. Getting them to take action and commit to joining your partnership

1. Finding and screening potential partners

a. Approach people you know

The best way to find a credit partner is to approach people you know personally and professionally. Start by talking to people who trust you. Let them in on the exciting news that you have found a one-of-a-kind financial opportunity. Walk them through the four steps of my system and show them how to form a business entity, such as a group LLC, and acquire business lines of credit.

Once they recognize that you are working with a fool-proof system, tell them that you are looking to form a partnership with a reliable and trustworthy individual. Inform them that you're prepared to make them a full partner in your new business.

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When I use the term "full partner", it doesn't mean that I am offering them a 50% partnership in a two-partner LLC or a 25% partnership in a four-partner LLC. By making them full partners in my group LLC, I am simply emphasizing that they will enjoy the safety and benefits of a 'full partner' in all the partnership documents.

b. Run advertisements

Running ads in newspapers has also been a very effective way to attract partners. Here are some examples of effective ads that I continue to use:

Seeking credit partner to invest in [type of business]. Great potential to make significant return on your investment.

[Type of business] investment opportunity. No cash needed. Let your good credit make you rich. Call xxx-xxxx.

Real estate partnership seeks credit partner. We have cash. \$25,000 profit potential.

Partnership with equity rich investments seeking a credit partner. No cash needed.

The best advice I can give you is for you to study your own market and customize your newspaper ads according to the kind of partners you want to attract and the type of investment you are considering.

c. Join your local investment networking association

There are many associations that are tailored to specific types of investment. Becoming a member is an excellent way to engage with like-minded people who are looking for new ideas and strategies. You will have the opportunity to meet seasoned investors and learn how they are able to create innovative solutions to maximize their investments. It is also a good way to build new partnerships and share mutual goals.

d. Screen potential partners

It is important to determine up front if you are compatible with your potential partners. Make sure you carefully examine not only their financial assets, but also their personalities. Before entering into any partnership, you need to be

1 2 3 4 5



sure you have similar goals and similar styles of conducting business. You also need to screen a potential partner's credit worthiness in advance of forming your partnership.

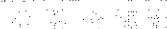
2. Planning and structuring how you will work with partners

Your partnership will take the form of a business entity, such as an LLC. The Member Control Agreement, which is usually accompanied by an Addendum, will be the written Agreement that the partnership will operate under. All rules about how the partnership will be run will be detailed in this Agreement.

In these written Agreements, make sure you always communicate clearly with your partners about how you are going to use each individual's personal credit reference to obtain business credit in the LLC.

Credit responsibilities for partners:

- All parties must be made aware in writing that the partner who attaches his or her name and social security number to the business application is the guarantor of that loan, even though that partner is obtaining credit in the name of the business. It is essential that the partner understands that he or she is ultimately responsible for the repayment of that line of credit.
- Always reassure your partners that, even though a specific partner will be the guarantor of this loan, this method of acquiring money protects personal credit scores because this business activity does not report on a personal credit profile when it is done in the name of a business.
- However, every credit partner needs to understand that this is recourse debt and that he or she is the guarantor of the loan. This means that the credit partner will be responsible for paying the loan back if he or she is the member listed on the business credit application.
- These business lines of credit act as an invisible loan on the credit partner's personal credit UNLESS they are not repaid.
- You need to make sure your partners understand what will happen if the loan is not repaid at the due date. By keeping your partners informed, you are protecting them as well as yourself.





- If a business line of credit is not repaid by the due date, the lender will start by requesting that the guarantor pay it back. If it is still not paid back, a negative report will be made on the guarantor's credit report, and this, as we now know, can severely damage an individual's personal credit.
- This is why you need to ensure that payments are kept current on the business line of credit. As long as this is the case, any and all activity that is being done in the name of the business will remain invisible to anyone reviewing the personal credit reports.

3. Scripting and practicing your presentation to potential partners

Before you approach any potential partners, always write out and rehearse the presentation you intend to make. You want to come across sounding positive, self-assured and knowledgeable about the system you are presenting to them.

Use the key points of the system to show potential contributors how this partnership acquires unsecured new business lines of credit and how these lines of credit can be used to begin doing "nothing down" deals.

The following is just one example of how to compose a presentation to potential partners. Feel free to use it or adjust it according to your own investing requirements:

"I am very excited to let you in on an innovative investment trend. I know that, as investors, we are constantly on the lookout for ways to increase our knowledge of the investing process, as well as to share our successes and even learn from our mistakes.

That's why I'd like to discuss a recent opportunity with you that I just couldn't pass up – how to obtain unsecured business lines of credit for your 'nothing down' investment deals. The beauty of this system is that none of your own money will ever leave your wallet!

I came across this system when I was fortunate enough to meet with, Tom Kish, a highly successful and savvy investor. Tom shared with me his proven system on how to increase my capital for investing and gave me sound advice on how to find the kind of investments I should be looking for.

I'd like to share with you some of the key areas of his system. First of all, how does having up to \$200,000 in unsecured business lines of credit sound? Unbelievable, right? Well, it's easy when you know how to do it. Tom has



come up with the simple technique of acquiring new business lines of credit, instead of cash, for his investment opportunities. Other businesses do this all the time for their office equipment or services, and Tom realized that this same system could be applied to other investment activities. His easy-to-follow four-step system will show you how to acquire new business lines of credit for your investing needs. When you combine these lines of credit together, you will have the capital to invest in any type of deal you want without using any of your own personal funds.

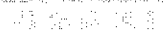
And the bonus is that we will be assisted along the way by Tom, who will make his expertise available to us through assessment software programs, access to interactive telephone conferencing, and other support material that will put us in the best possible position to succeed.

I have already worked with each and every area of this program and assure you that you really have nothing to lose and everything to gain. So I hope that you will consider joining me in this venture, as it will be well worth your time and effort. I'm sure you will find, as I have, that the financial rewards are substantial."

4. Showing your partners a written plan of action

It is always good professional practice to have a written investment plan to show your partners. By crafting a detailed investment plan for your potential partners, you can demonstrate to them exactly how all of you will make money in this partnership. Clearly set out what you will invest in and how you will generate profits.

- Explain to them what you will be doing and why they will need to rely on your knowledge and experience.
- Go into detail about your investing strategy. What type of investment are you targeting? How will you execute your strategy? And how will the profits be distributed among the partners?
- Show them enough of my *Shortcut to Money Secrets* system to whet their appetites and demonstrate your knowledge of how to use this system to get the business credit needed to grow this partnership.



If you're not sure how to put this plan together, use excerpts from the generic Member Control Agreement and Addendum that I've provided in this guide. By giving each potential partner a professional, well-thought-out plan, you are giving them confidence to participate in your business venture.

5. Getting them to take action and commit to joining your partnership

The final step in forming a partnership is to draw up the Member Control Agreement, as well as the specific Addendum, and have all parties sign both documents.

Remember that the Addendum should spell out anything that is specific or unique about the way the partnership is going to be run. By taking the time to initiate this step, you will be starting off in a position of strength. Partnerships work very well when a solid foundation is laid from the beginning.

A final word before we move on. Remember that my *Shortcut to Money Secrets* system does not attempt to give you accounting or legal advice – you will have to get that from your own financial advisor and lawyer. My system will provide you with educational material and a blueprint that you can use in conjunction with the professional advisors who understand your specific situation and your state's laws, and are knowledgeable about what your goals are. You should rely on these advisors to give you a legal opinion based on their knowledge of your situation.

Now that we've completed **Steps 1, 2 and 3** of my four-step system, let's answer a few questions and have a quick chapter review before continuing with **Step 4: Acquiring Many Unsecured New Business Lines of Credit**.

Questions and Answers

Q: Why should I take in partners and split profits with them?

A: The main reason I recommend using partners is because it will improve your ability to obtain multiple lines of credit through your partners' healthy credit profiles.

Q: How do I find partners?

A: Begin by talking to people that you know personally and professionally, and who share a common business interest with you. Also attend local investor networking groups. You can also place ads in local newspapers or on Internet bulletin boards.

Q: What is the best way to work with partners?

A: Before you begin any partnership, you must draw up a detailed and clear Agreement that spells out exactly what each partner's duties and responsibilities will be, as well as how the profits will be divided.

Q: How much detail should I include in the written Partnership Agreement?

A: As much as possible. Try to think of every issue that could come up and specify how you will deal with it. I recommend that you use the template of the Member Control Agreement in the Appendix of this guide. It provides an example of the issues you should cover, although you should make sure that you add items to your Agreement that are specific to your goals and objectives.



Chapter Three Review

One of the simplest but most highly effective keys to successfully implementing my *Shortcut to Money Secrets* system is to work with partners. Forming partnerships with people who have good credit ratings will give you access to the best offers from lenders. If your credit rating is not healthy right now, this is a great resource to tap into.

If you have poor personal credit, you will be limited in the amount of business credit your new business will receive. Working with partners will enable you to acquire the largest possible amount of business credit.

The key to a successful partnership is learning how to structure it so that all parties know what is expected of them.

Member Control Agreement and Addendum

A Member Control Agreement is essential to your business because it outlines the general terms of the Agreement between you and your partners. It must be specific to your state's governing rules and is often identical to the Agreement that is used when forming a business entity such as an LLC.

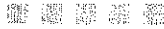
A Member Control Agreement should cover the following:

- Type of business
- Member contribution
- Duration of partnership
- Percentage of ownership for each partner
- Payment of incidental costs incurred
- Distribution of assets on completion of partnership

In addition to the Member Control Agreement, you should draw up an Addendum that will spell out anything that is specific or unique about the way the partnership is going to be run. This includes:

- The individual responsibilities of each partner
- The amount of capital invested by each partner
- The distribution of profits between the partners





You should also spell out which partner will:

- Have responsibility or decision-making ability
- Manage the check book
- Be responsible for acquiring additional financing or mortgages if the business lines of credit do not provide enough money to buy a property outright
- Ultimately be in charge of when and how the partnership sells the properties

In the Addendum, you must also specify that each partner is required to apply for an unsecured new business line of credit using the name of the LLC that has been created and their own credit reference (meaning their own name and social security number).

As the individual who has initiated and is structuring this partnership, it's up to you to decide how much each partner should contribute toward the group LLC. If, therefore, you have really bad credit and are not in a position to acquire a line of credit on your own, you can use the leverage and assets that your partners will bring to the business partnership. As your credit rating improves, you can then apply for lines of credit yourself while continuing to take advantage of your partners' strong credit ratings.

You also need to negotiate with each potential partner how the profits will be split. As the individual who has initiated this business venture and is knowledgeable about implementing my *Shortcut to Money Secrets* system, you are obviously in a position of strength to negotiate your percentage of profits. Always plan to get paid a fair share of the profits, even if you do not contribute any money or credit to the partnership.

I recommend that profits should be determined according to the contribution from each of your partners. The more each partner brings to the partnership, the higher percentage of profits that partner should receive. Make sure you specify in writing that profits will be divided according to each member's ownership percentage.



Forming Partnerships

Suggestions on forming profitable partnerships:

1. Find and screen potential partners
 - a. Approach people you know
 - b. Run advertisements
 - c. Join local investment networking groups
 - d. Screen a potential partner's credit worthiness before forming your partnership, and make sure you and your partners have similar goals and styles of conducting business
2. Plan and structure how you will work with partners:
 - a. Decide on a business entity
 - b. Draw up the Member Control Agreement and Addendum
 - c. Make sure every partner is aware of his or her credit responsibilities
3. Script and practice your presentation to potential partners
4. Show your partners a written plan of action
5. Get them to take action and commit to joining your partnership



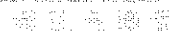
Chapter Three Exercises

If you have poor personal credit, what are the two options you can consider?

What are the benefits to forming partnerships?

What are the suggested steps to forming profitable partnerships?

What is a Member Control Agreement?





List all the important issues you would want spelled out in a Member Control Agreement to clarify what role you will have in this partnership.

Make a list of the things your partners might be concerned about if they join your partnership. What fears may they have that need to be addressed in writing? For example, do they need you to clarify who will sign the business checks?

What is a recourse debt?

Compose and rehearse a presentation that you would make to potential partners.





What are some of the investment strategy details you should go into in your written investing plan?

In the addendum to the Member Control Agreement, what are some of the points you should spell out?

List everyone you can think of who may be a potential partner for your next LLC.

True OR False

True OR **False** It is not recommended that you work with partners in order to successfully implement this system.

True OR **False** When working with partners, you must always split the partnership 50-50.

True OR **False** One of the recommended ways to find partners is by advertising in the local newspapers.

True OR **False** The best way to work with partners is to have a clear verbal agreement on which to base the partnership.

True OR **False** The Member Control Agreement is an optional part of a successful partnership.

True OR **False** The partner who attaches his name and social security number to the business application is ultimately responsible for the repayment of the line of credit.

5 4 3 2 1

Chapter Four

Step 4: Acquiring Many Unsecured New Business Lines of Credit

As an investor, you know that timing is everything. When a good deal is presented to you, you have to be ready to take immediate action. Having funds ready and available whenever you need them is a crucial advantage when investing in any market. That's why it's important for you to start implementing my *Shortcut to Money Secrets* system immediately – it will give you a head start on any investment opportunities.

We've already established that you can use my system of acquiring new unsecured business lines of credit for any type of investment opportunities. Let's now take a few minutes to get a better understanding of the specifics of this type of loan.

What is a Business Line of Credit?

A Business Line of Credit can be characterized in three ways:

1. It is a standard business credit card, with a grace period allowed before interest is charged.
2. It comes in the form of a traditional loan, with a fixed interest rate that has an allotted number of years to repay.
3. It is a flexible line of credit where you access the money by check and only begin to pay interest when you use it.

An unsecured Business Line of Credit is relatively easy for anyone to obtain because it does not require any personal or business collateral in order to obtain funding. However, it is important for you to realize that approval will be based on your previous business credit history and positive credit scores.

The reason it is so easy to obtain an unsecured business line of credit is because an individual acts as a personal guarantor on the loan. In other words, someone has to stand behind the new business entity that's just been created, and that person will



guarantee that the money gets paid back. This guarantor can be you, if you have a reasonably good credit score, or it can be a credit partner who is one of the members of the new business.

The rationale behind using business credit, instead of personal credit, is that the guarantor will not have this loan, or any business activity associated with this loan, reported on his or her personal credit report while the loan is being used by the business. By starting a business, you are creating a separate entity, and any activity that you do in the name of that business will only be reported under the EIN of the business.

Acquiring Unsecured New Business Lines of Credit

Let's go through the details on how to acquire unsecured business lines of credit for your investment purposes. There are four ways to apply for business lines of credit:

1. Mailing a paper application to the lender
2. Completing an application over the phone
3. Completing an application on the lender's website
4. Completing an application in person at the bank

While any of these methods is acceptable, my system works best when you apply for business credit by mail, so let's begin by discussing this option in further detail.

1. Mailing a paper application to the lender

The whole process begins with registering your business by filing your paperwork for the business entity that best suits your needs, and then obtaining an EIN. Once you have done that, the state in which your business is registered will list your new business address on public records. This listing will automatically provide your business information to lenders who are looking for new businesses to extend credit to.

Once lenders, including the ones on my Lenders' Contact List, have input your address into their system, this will initiate the process of having paper applications automatically mailed to the address you have listed with the state. However, keep in mind that it could take from six to eight weeks for you to receive your first application



by mail and several more weeks to receive approval. Although it will be difficult to wait, you need to understand that this is your best option for receiving maximum results from lenders.

My experience has shown that, if you are prepared to wait for the lenders to send you paper applications in the mail, you will be able to build up \$200,000 to \$300,000 of unsecured new business lines of credit within six months of receiving approval of your applications.

If, however, you decide you don't want to wait and you call these lenders to request that they mail you a paper application, you will find that over half of them will refuse your request. Why? Because many lenders do not mail credit applications on demand. They will only mail applications to you when they have had time to input your new business information from your Secretary of State.

Paper applications sent in the mail by lenders have proven to be the best method because they are stated income applications for business credit. This means you will not be required to submit any documentation, such as a business plan, income verification or business tax returns. In a few cases, lenders may ask you to submit a copy of your business registration after you have applied for credit by mail, but this is rare.

It will be easy for you to acquire \$20,000 to \$40,000 from each individual lender every month because this kind of small line of credit fits into lenders' stated income programs that are available for new businesses.

You need to be aware, however, that you are not going to acquire the full amount of available credit in your first month. An essential component of guaranteeing success with my *Shortcut to Money Secrets* system is that you should never apply for more than two or three lines of credit per partner in a 30-day period. Each month, you and your credit partners can individually apply with two lenders. More than two applications per person, per month, will create an excessive number of inquiries on your record. Lenders may deny credit for no reason other than the fact that you have submitted too many applications in a 30-day period.

The other ways of applying for business lines of credit are:

- 2. Completing an application over the phone**
- 3. Completing an application on the lender's website**

OTHER**4. Completing an application in person at the bank**

You may want to apply for business credit using one of these three methods if:

- a. You prefer not to wait for paper applications to be mailed to you
- b. You have an older business that no longer receives these paper offers
- c. You have registered your business in a state that keeps your business location private

Should you decide to use any of those three methods, however, you need to be aware that you will probably be required to provide some verification for business credit approval, such as the Articles of Organization for your business, as well as the date that it was registered and proof of its location.

Stated Income Applications

Many people wonder how a brand new business or one with no income or revenue can qualify to receive unsecured business lines of credit.

The answer is that certain lenders have always offered start-up businesses the opportunity to apply for lines of credit using what the banking industry calls "Stated Income Applications". When you fill out a Stated Income Application for business credit, it is like a future projection of your business's profits. There are many types of little known but commonly stated income loan applications that have been available in the banking industry for years.

"Stated income" means you provide the lender with a projection of your anticipated personal and business income, not your current income.

Some of you will probably be familiar with "stated income" mortgage applications for real estate loans. What you need to know is that those same stated income guidelines are available for business credit.

The bad news is if you try to get a million-dollar business line of credit from your local bank, you would probably need to complete a rigorous credit application and provide copies of business tax returns, as well as profit-and-loss statements.

The good news is that stated income lenders do NOT require information on current profits or income. Since you have started a brand new business, lenders want to see projections in terms of income and annual sales. They want to know what you expect to earn when your business is up and running.

All licensed mortgage brokers complete stated income mortgage applications for their clients. Stated income credit applications are approved everyday – and lenders do not require that you provide proof of current income on these applications.

Since the line of credit you're asking for is within their comfort zone (\$20,000 to \$40,000), lenders will not base their approval on verifiable income. They will only base their approval on the credit worthiness of the partner making the application in the name of the business – as long as you provide them with the proper stated income numbers.

This is where my *Shortcut to Money Secrets* system and Lenders' Contact List will be invaluable to you. You'll find that it is much easier to use my system to acquire several \$20,000-\$40,000 business lines of credit, even with no business income or job history, than it is to qualify for a single million-dollar line of credit at your local bank.

All the lenders on my list offer Stated Income Applications for business credit. That means you do not need to prove your income with tax returns in order to get these lines of credit.

A word of caution before we move on: I do not recommend that you call banks and ask them questions about their stated income lines of credit or how they report them to the credit bureaus. Not all bank frontline employees understand how these programs function and you may receive confusing information from them. In certain cases, they may not even be aware that these programs exist.

Your best bet is to exercise patience and wait to receive your paper applications in the mail. That's how my many clients got started and they now have numerous business credit cards and lines of credit from every lender on the contact list.

Check out the next page for an example on how to fill out a Stated Income Application form correctly.

Stated Income Application Form Suggestions

Where the application requests:	Provide the following information:
Business Name	Must be a business entity, like an LLC or a corporation. Do not apply for as a sole proprietorship.
Business Description or Type of Business	Describe what your business is, i.e. real estate, construction, etc.
Gross Annual Business Revenue	Provide an estimate of your business's gross revenue for the year, taking into account your estimated monthly sales multiplied by the number of months.
Business Phone	You do not need a listed land line. A personal cell phone number can be used as your business phone number.
Business Tax ID	This is the Federal Employer Identification Number (EIN).*
Years in Business	Identify the number of years your business has been in operation or your years of experience with business investments.
Name of You or Your Credit Partner	The credit partner who is willing to guarantee the unsecured business line of credit.
Title in the Business	Owner
Gross Personal Income	Include your personal income from your tax return.

*For more information, go to www.irs.gov, click on "Businesses" and select "Employer ID Numbers" under the "Businesses Topics."

FINISH

Congratulations – you've now completed all four steps of my invaluable *Shortcut to Money System*! Once we've finished the question-and-answer section and chapter review, we're going to move on to Chapter Five, where I'll teach you how to build solid relationships with lenders.

Questions and Answers

Q: Why do the lenders on your Lenders' Contact List want to lend money to new businesses?

A: Because it is a great source of income for them. They want to start a business relationship with you when you are new and keep you as a lifelong customer. And they have determined that it is safer to give lines of credit to a business rather than an individual.

Q: How long will it take to get the cash from the business lines of credit?

A: It can take six to eight weeks to receive your applications by mail and several more weeks to receive approval.

Q: How can I get cash from a business credit card or line of credit?

A: You can approach the credit card company and ask if they will wire cash advances into your checking account. You can then write out a convenience check for cash, or you can use the business credit card at a bank to make a cash advance withdrawal.

Chapter Four Review

What is a Business Line of Credit?

A Business Line of Credit can be characterized in three ways:

1. It is a common business credit card, with a grace period allowed before interest is charged.
2. It comes in the form of a traditional loan, with a fixed interest rate that has an allotted number of years to repay.
3. It is a flexible line of credit where you access the money by check and only begin to pay interest when you use it.

An unsecured business line of credit does not require any personal or business collateral in order to obtain funding. However, it is important for you to realize that approval will be based on your previous business credit history and positive credit scores.

An unsecured business line of credit is relatively easy to acquire because an individual acts as a personal guarantor of the loan. In other words, someone stands behind the new business entity and guarantees that the money gets paid back. This guarantor can be you, if you have a reasonably good credit score, or it can be a credit partner who is one of the members of the new business.

The rationale behind using business credit, instead of personal credit, is that the guarantor will not have this loan, or any business activity associated with this loan, reported on his or her personal credit report while the loan is being used by the business. By starting a business, you are creating a separate entity, and any activity that you do in the name of that business will only be reported under the EIN of the business.

Acquiring Unsecured New Business Lines of Credit

There are four ways to apply for business lines of credit:

1. Mailing a paper application to the lender

The whole process begins with registering your business by filing your paperwork for the business entity that best suits your needs, and then obtaining an EIN. Once you have done that, the state in which your business is registered will list your new

NOTE

business address on public records. This listing will automatically provide your business information to lenders who are looking for new businesses to extend credit to.

Once lenders have input your address into their system, this will initiate the process of having paper applications automatically mailed to the address you have listed with the state. However, keep in mind that it could take up to six to eight weeks for you to receive your first application by mail and several more weeks to receive approval.

Once you start receiving these paper applications in the mail, you will be able to build up your \$200,000 to \$300,000 of unsecured new business lines of credit within six months of receiving approval of your applications. You need to be aware, however, that you are not going to acquire the full amount of available credit in your first month.

You should never apply for more than two or three lines of credit per partner in a 30-day period. Each month, you and your credit partners can individually apply to two lenders. More than two applications per person, per month, will create an excessive number of inquiries on your record. Lenders may deny credit simply because you have submitted too many applications in a 30-day period.

2. Completing an application over the phone**3. Completing an application on the lender's website****4. Completing an application in person at the bank**

You may want to apply for business credit using one of the other three methods if:

- a. You prefer not to wait for paper applications to be mailed to you
- b. You have an older business that no longer receives these paper offers
- c. You have registered your business in a state that keeps your business location private

If you use any of these three methods, you will probably be required to provide some verification for business credit approval, such as the Articles of Organization for your business, as well as the date that it was registered and proof of its location.

Stated Income Applications

The reason why a brand new business or one with no income or revenue can qualify to receive unsecured business lines of credit is because certain lenders have always offered start-up businesses the opportunity to apply for lines of credit using what the banking industry calls "Stated Income Applications". When you fill out a Stated Income Application for business credit, it is like a future projection of your business's profits.

"Stated income" means you provide the lender with a projection of your anticipated personal and business income, not your current income.

Stated income lenders do NOT require current profits or income. Since you have started a brand new business, lenders want to see projections in terms of income and annual sales. They want to know what you expect to earn when your business is up and running.

Since the line of credit you're asking for is within their comfort zone (\$20,000 to \$40,000), lenders will not base their approval on verifiable income. They will only base their approval on the credit worthiness of the partner making the application in the name of the business – as long as you provide them with the proper stated income numbers. All the lenders on my list offer Stated Income Applications for business credit.



Chapter Four Exercises

What is an unsecured business line of credit?

Why are unsecured business lines of credit relatively easy to obtain?

What does 'stated income' mean?

Why do I recommend that you do not make more than two applications per person, per month?



Complete this personal balance sheet, list your assets and value of each asset:

Asset	Value



List your liabilities and the value of each liability:

Liability	Value

Make a list of any business debt that is in your name:

This is the first debt that you should pay off or transfer into your new business when your business lines of credit become available.



True OR False

True OR False

Approval of an Unsecured Business Line of Credit will be based on your previous business credit history and positive credit scores.

True OR False

It takes six to eight months to receive paper applications from lenders once your new business has been registered.

True OR False

Online applications will ensure your approval.

True OR False

"Stated income" means you provide the lender with a projection of your anticipated personal and business income, not your current income.

True OR False

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Chapter Five

How to Form Relationships with Lenders

In Chapters One to Four, we went through detailed instructions on how to implement the following steps of my invaluable four-step *Shortcut to Money System*:

- Step 1: Understanding the Credit Reporting System (Chapter One)**
- Step 2: Setting Up a New Business on Paper (Chapter Two)**
- Step 3: Working with Partners (Chapter Three)**
- Step 4: Acquiring Many Unsecured New Business Lines of Credit (Chapter Four)**

Now let's go into further detail on how to establish and maintain solid relationships with the lenders who are crucial to the success of my system.

One of the key factors in developing a relationship with lenders is to have a very clear understanding of what a lender is looking for. A lender's primary objective is to increase their customer base by lending money to newly formed or well-established business enterprises. Lenders actually prefer to establish relationships with newly formed companies because that's the main area where lenders can take advantage of growth opportunities and enhance their lending capabilities to customers. Lenders are prepared to offer lines of credit to new businesses because they want to build relationships with new business owners.

I am in regular contact with many colleagues in the banking industry who work with some of the top lenders in the country, including the ones on my Lenders' Contact List. My colleagues have told me what these lenders want to see on applications to facilitate quick and easy processing. If, as a new business owner, you can provide lenders with strong future projections of your business's profits ("stated income"), you are highly likely to receive the maximum available line of credit for your new business.

Over the years, I've discovered exactly how lenders want to be approached, and my system gives them what they want in the way that they want it. For example, even if you already have an existing business entity set up, such as an LLC or an S-Corp, I still advise my clients to start a new one, because once that new business has been registered and provided to lenders, they will automatically start sending you paper applications in the mail.

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One of the secrets to successfully acquire money from lenders is to access as many different ones as possible over a period of time. My list of national lenders is essential to the success of your business because these lenders offer business lines of credit that range from \$20,000 to \$100,000 for new businesses with no income history.

By applying to several different lenders, you will be able to access many business lines of credit. And you will be able to do this without the inconvenience of traditional business plans, complicated business credit scores (Paydex) or expensive Dun & Bradstreet (D&B) numbers that could cost you over \$500 to purchase. Although the D&B number is regarded as a good resource for having your business and credit profile on file for possible lenders, you will find that it is very costly to be listed with them.

Clients often ask me if it's acceptable to contact a lender directly through the website that I've provided. The answer is no. I do not advise clients to make applications or requests online. Let me explain why.

One of the indisputable facts of my *Shortcut to Money Secrets* guide is that if you follow it in the systematic way I've laid out, the lenders I recommend that you work with will automatically come to you. Once you have started up your new business using my system, many of the listed lenders will automatically send you a paper application, although it may take several weeks for the process to be initiated.

When you follow my simple, four-step system, the lenders will not require a great deal of documentation from you, such as a business plan or last year's tax returns. So, even though this is a process that will take time to implement, it will reap huge rewards for you in the long run.

I'm often asked if it's possible to speed up the process. Well, you're free to try anything you like, but my advice is to be patient and follow the system that my clients and I have used over the years, because it has proven to be highly successful.

I have also been asked what happens if you make a mistake and get a rejection or denial from a lender. One of the many advantages of using my system is that it doesn't matter if you make a mistake. The strength of my system is that it ensures that the same lender will continue to automatically generate application forms to you.

I recommend that you save every unused application that is sent to you because you'll find that there are many different ways to use them. For example, you may find that an application has been made incorrectly, in which case you can use your back-up paper application to re-apply without wasting any of your precious time.



Use my system as a foundation to build a business with a large amount of business credit acquired from many different lenders. In time, your business will grow and you will be able to acquire individual lines of credit for a million dollars or more – without any personal credit checks or guarantees.

Portfolio of Lenders

Before we go through my list, I am going to give you some tips on specific lenders that I have had personal experience with.

Of all the lenders on my list, **Capital One** is my favorite. They are by far the best of all of the lenders I work with. Whenever an application comes from **Capital One**, that's the first lender I'll approach because I know they're the easiest and the fastest to deal with. I also know that they have the largest amount available for automatic, no questions-asked approval.

An excellent resource that can be used as a quick-start from my list of lenders is the **US Bank**. If you live west of the Mississippi, you can go to any **US Bank** branch office, open a free small business checking account, and on that same day you will receive a paper application that will enable you to apply for a **US Bank** business credit card.

Wells Fargo has two different programs that I really like. One program gives you a business credit card, which acts like a personal credit card. If you make a purchase and it is paid off before the grace period (the billing cycle) expires, there will be no interest accrued. It makes this card totally interest-free. So, if you were to get access to \$10,000 of purchases on this card and, at the end of your 45- to 50-day cycle, you paid it off fully, you would not have to pay any kind of financing charge or interest on that product.

The other program that **Wells Fargo** has introduced is what they call a "Business Line Credit Card," which operates like a Home Equity Line of Credit. The minute you take money off the line of credit from this **Wells Fargo** Business Line Credit Card, you begin to accrue interest. It is a true line of credit, even though it functions very much like a business credit card. You also get convenience checks with the line of credit card because it is understood that you are paying interest immediately upon receiving the cash. They want to make that cash readily available to you because it's in their best interests to do so.

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In my experience, the limit on that line of credit card has been much higher than other more traditional bank lines of credit. I currently have a \$35,000 cash limit **Wells Fargo** Business Line Credit card.

I suggest that you obtain approval for the Business Line Credit Card before making inquiries into the Business Line of Credit Card. The first type of credit card is something that is easily understood. It's an automatic process, so you should acquire that first and then inquire about the additional products. Always obtain basic products first, before finding out about any additional products that are being offered.

Traditionally, with **American Express**, you are not allowed to make partial payments against an existing balance – payment is always due in full. However, **American Express** does offer an alternative specifically for small businesses, called **American Express Blue**. This card gives people the option of deferring payment over an extended period of time, which benefits us much more than credit cards that need to be paid in full without the extended payment options.

www.Capitalinfo.biz is another resource that's available to you. It has a minimum small business loan of \$500,000, which you can qualify for by providing a developed business plan and your business activity. This resource will be a very valuable tool for you when you get to the stage of being able to qualify for a minimum of a half-million-dollar loan.

Remember that my *Shortcut to Money Secrets* system is intended to be simple and easy to use. There is a lot of information in the market place that will teach you how to create Dun and Bradstreet numbers and how to do large, aggressive transactions. However, keep in mind that they will require a long application process, as well as a great deal of personal and business documentation from you. Many of them will also require business plans and marketing strategies.

My clients attest that my system is the simplest but most profitable one they've ever experienced because it shows you how to acquire \$200,000 to \$300,000 when you pool all of these lines of credit together in your LLC.

Once you have implemented my system, you can compound its benefit by taking the money that you're drawing off these business lines of credit or business credit cards and keeping it in a small regional lender's branch office. This is known as "seasoning" and we will go into more detail on this shortly.

If you're going to establish a relationship with **US Bank**, I recommend you season your money with them in order to get access to their unsecured business lines of credit.



I also recommend using small regional lenders. In fact, if you have already established a good relationship with your personal banking resource, that lender would be a good place for you to start. Regional lenders tend to write loans that they hold themselves. That means they're not selling the loans they generate but are holding them in their own portfolio. Once you have established a solid relationship with a small regional lender, they will want to continue to do business with you and give you access to capital funds. They even have the flexibility to issue loans to your LLC for the purchase of single-family residential real estate, which is very rare.

Traditional lenders like the **Amerquest** or **Wells Fargo** sell mortgages to the secondary market (e.g. mortgage brokers), and the secondary market will typically prefer to deal directly with an individual rather than an LLC. My *Shortcut to Money Secrets* system is designed to effectively steer you to where you can automatically and easily generate additional loans – without having to provide a lot of documentation, verification, or proof of assets and income.

When you have \$100,000 seasoned in your bank account or in the name of your LLC, and it's being held by one of these small regional lenders, you will be perceived as someone who does not need a \$25,000 line of credit loan. And that's exactly when you'll find lenders wanting to do business with you, because there is truth in the saying that you can only get a loan when you don't need one.

Always ask for an increase on any new line of business credit you have just been issued before you start using it. It is hard to get an increase in credit approved once you've started using the line of credit.

"Seasoning" Money

Let's go into more detail on "seasoning" money in your own personal checking account instead of in your business checking account. As you begin to draw cash advances from your unsecured new business lines of credit, you should take the money that you're drawing off these business lines of credit or business credit cards and keep it in your personal account – this is what's known as "seasoning" money. Make sure that you always make the notation "owner draw" in the business checkbook whenever you take out cash in your own personal name.

Cash that is seasoning in your own personal checking account will help to strengthen your personal balance sheet. This in turn will improve the rates on business loans for any investment deals your business will participate in.

As a tax saving tip, write a simple contract between you and your business entity, describing the transfer of money to you as a loan to be paid back after a certain number of years at some minimal rate of interest.

The reason it's worthwhile to pay interest on lines of credit and just let the money sit idly in an account is that having seasoned cash in your personal name will make it easy to get good interest rates on traditional financing. Traditional lenders will verify your personal assets when you apply for any kind of loan – business or personal – and seasoned money in your personal account is the best way to prove your credit worthiness.

Dealing with Lenders

As an experienced investor, I now want to share with you an example of what you need to be aware of when it comes to dealing with lenders.

When you have an unsecured new business line of credit in the name of your business, you still need to have your name on the credit card because someone has to sign for credit card use or be able to access cash advances by check.

Keep in mind that the lender who has given you that unsecured business line of credit has the right, at any time, to check your credit profile to see if you still have a reasonably healthy credit score. Suppose a lender has lent money to you at 9% interest for your new business, and they then decide to pull your credit report. If the lender sees a large amount of revolving personal debt against your name and social security number, the lender can decide to raise the interest rate on the business line of credit.

It is essential for you to understand that the terms on your line of credit may allow the lender to increase the interest rate on your loan, based on any balances that you may be carrying on your personal credit report.

That is why it's necessary to always keep debt out of your own personal name and Social Security Number. The best way to accomplish this is to follow my system of using new unsecured business lines of credit, because any activity that you do in the name of your business will not be reflected on your personal credit score.

My experience has shown that there can be severe consequences when you have a late payment on your personal credit profile or carry a large amount of revolving debt in your personal name.

Once you fully understand the power of having a strong balance sheet, you'll be able to use my system as a springboard towards acquiring larger lines of credit from your local banks and lenders.

Lenders' Contact List

The following is a list of the lenders who offer easy business lines of credit and business credit cards. These lenders have continually granted unsecured new business lines of credit to my clients and me, no questions asked. A business line of credit comes in the form of a business credit card with convenience check privileges or a business line of credit with checkbook access.

These lenders offer new business lines of credit on a stated income basis, which is not based upon the income listed on your tax returns. A business line of credit can be offered as a traditional loan with a fixed interest rate that has a set number of years to repay. A flexible line of credit will allow you to access the money using convenience checks. This type of credit will either require you to pay interest only when you use it or as a regular credit card that comes with a grace period before interest is charged. The unsecured business credit cards that many of these lenders offer will have convenience check-writing privileges with cash wire transfers directly into a checking account. Also, interest charges would begin immediately and cash advance rates apply in some cases.

Bank of America

Tel: 888-600-4000 (Small Business Sales)

Website: www.BankOfAmerica.com

Make sure that they do not issue two different card numbers for the same account. You do not want two statements generated each month – you only want one business statement. If it is set up incorrectly, it will limit your revolving use of the card during the billing cycle.

Citibank

Tel: 888-382-7759 (Citi Business)

Website: www.Citibank.com

Citi Business cards are now offering \$50,000 business lines of credit and are actively mailing applications out automatically.

WELLS FARGO**Wells Fargo**

Tel: 800-416-8658 (General)

Website: www.WellsFargo.com

They offer two types of business cards: the standard card with a no-interest grace period, and a true line of credit type of card that begins to charge interest the moment you use it. The line of credit type card has up to a \$50,000 limit.

When you can prove that your business is two years old, according to the date on your Articles of Organization, Wells Fargo (1-800-359-3557) will also offer special lines of credit from \$10,000 to \$100,000.

American Express

Tel: 800-433-3550 (New Card Application)

Website: www.AmericanExpress.com

Only apply for the cards that offer the monthly payment options. You need to understand that this card is NOT as useful as others because it will not be accepted everywhere.

First National Bank of Omaha

Tel: 800-819-4249 (General)

Website: www.FirstNational.com

This Bank has many excellent programs, so make sure you check their website.

Capital One

Tel: 800-424-9977 (General)

Website: www.CapitalOne.com

As mentioned before, Capital One has been the best of all the lenders. They have the fastest response time, and the highest limits. They have also offered a ZERO percent interest for the first nine months when running a special offer.

US Bank

Tel: 800-872-2657 (General)

Website: www.USBank.com

You can walk into any branch location and get an application over the counter for a business credit card with up to a \$30,000 limit. Take several extra applications so that you can apply several times with different partners.

When you open a free small business account at a branch office, you can wait a month and then apply for a \$50,000 reserve line of credit on your business checking account. Be sure to fill out the application for the reserve lines of credit with the same template information as any other stated application.

Be aware that approval for a reserve line of credit will require that you provide the social security number of each member with more than a 20% ownership interest. Therefore, if one of the members on the Articles of Organization has poor credit, you will want to designate them as only 10% members of the LLC when you apply for a reserve line of credit with US Bank.

Chase Bank

Tel: 888-878-3151

Website: www.Chase-Credit-Cards.com

Chase Bank offers a 0% APR for up to 12 months on purchase and balance transfers with this NO annual fee business card.

I recently obtained a 3.99% interest rate for the life of loan. This is a great resource!

First Equity Bank

Tel: 866-756-7870

Website: www.FirstEquityCard.com

First Equity Bank is a very good lender with generous credit limits and easy to use convenience checks. In addition they offer free additional cards with individual account numbers for each member of the business or your employees. Take note that First Equity will not offer balance transfers or promotional rates over the phone. However, you will be able to make balance transfers by using convenience checks, which will be at your normal prevailing interest rate.

Also, for your information, they will send the business credit card to the home address of the credit partner whose name is provided on the application, but the monthly statements and convenience checks will be mailed to the business address.

Mastercard Applied Intelligence

Website: www.MasterCardBusiness.com

Tel: 888-321-9119



Mastercard Applied Intelligence offers three great new national business line of credit cards now available to small businesses and mid-sized companies: easy savings cards, rewards cards and low APR cards.

Harris Bank

Tel: 888-340-2265

Website: <https://www4.harrisbank.com/secure>

Harris Bank not only serves the small businesses with business checking, loans and unsecured business credit cards but is also a commercial real estate lender offering mortgages for your business.



Internet Only Lenders

These are some lenders that I recommend you directly apply for credit with over the Internet.

WorldPerks® Visa® Business Card

Website: http://www.usbank.com/cgi/cfm/credit/buscard/worldperks/worldperks_mktg.cfm

This lender offers up to \$50,000 in revolving business credit.

The WorldPerks® Visa® Business Card is an ideal expense-management tool that allows cardholders to turn business transactions into free travel on Northwest Airlines, KLM Royal Dutch Airlines, and other qualified Northwest travel partners. The cardholder will earn one air mile for every dollar spent in net purchases.

American Express Platinum Business FreedomPass Credit Card

Website: https://www201.americanexpress.com/sbsapply/EACQServlet?request_type=applyNow&bos=b&eep=13107&ct=18

Start-up business loans with a \$500,000 minimum line of credit are offered. This line of credit application requires a \$25,000 non-refundable application fee.

American Express

Tel: 800-SKY-MILES

Website: www.FarBeyondMiles.com

American Express - Delta airline mileage rewards card is a business line of credit card that offers mileage rewards for every dollar spent. It also offers a convenient redemption with immediate use of miles earned.

You can use your rewards for single-class upgrades on Delta Airlines. You also have a choice to redeem rewards from the following multiple airline carriers:

- Delta
- Aeromexico
- Air France
- Alaska Airlines
- Alitalia
- Avianca
- Continental Airlines



KLM Royal Dutch Airlines
Korean Air
Northwest Airlines
China Airlines
El Al Israel Airlines
Singapore Airlines

In addition, you can donate the miles earned or transfer the mileage rewards to people other than the card member.

Among other benefits, you can also use your miles to subscribe to all your favorite magazines, purchase exclusive merchandise, and gain VIP access to events that you wouldn't be able to get anywhere else.

This information is accurate as of time of publication. However, we are continually researching, screening and testing additional business lenders in an effort to offer you more money for your business needs. For new and updated information, make sure you check out <http://www.CashFlowExperts.Biz/Updates> on a regular basis.

Chapter Five Review

One of the key ingredients in developing a solid relationship with lenders is to understand that a lender's ultimate objective is to establish relationships with newly formed companies because that's the main area where lenders can take advantage of growth opportunities and enhance their lending capabilities to customers.

One of the ways to successfully acquire money from lenders is to access as many different ones as possible over a period of time. My list of national lenders is essential to the success of your business because these lenders offer business lines of credit that range from \$20,000 to \$100,000 for new businesses with no income history.

By applying to several different lenders, you will be able to access many business lines of credit, without the inconvenience of traditional business plans, complicated business credit scores (Paydex) or expensive Dun & Bradstreet (D&B) numbers that could cost you over \$500 to purchase.

"Seasoning" Money

You should always "season" money in your own personal checking account instead of in your business checking account. As you begin to draw cash advances from your unsecured new business lines of credit, take the money that you're drawing off these business lines of credit or business credit cards and keep it in your personal account – this is what's known as "seasoning" money. Make sure that you always make the notation "owner draw" in the business checkbook whenever you take out cash in your own personal name.

Cash that is seasoning in your own personal checking account will help to strengthen your personal balance sheet. This in turn will improve the rates on business loans and on personal mortgages for any real estate your business will invest in.

As a tax saving tip, write a simple contract between you and your business entity, describing the transfer of money to you as a loan to be paid back after a certain number of years at some minimal rate of interest.

WORKBOOK

Dealing with Lenders

It is important for you to be aware of some concerns when it comes to dealing with lenders.

For example, when you have an unsecured new business line of credit in the name of your business, you still need to have your name on the credit card because someone has to sign for credit card use or be able to access cash advances by check.

The lender that has given you the unsecured business line of credit has the right, at any time, to check your credit profile to ensure that you still have a reasonably healthy credit score. If the lender sees a large amount of revolving personal debt against your name and social security number, the lender can decide to raise the interest rate on the business line of credit.

There can be severe consequences when you have a late payment on your personal credit profile or carry a large amount of revolving debt in your personal name.

WORKBOOK



Chapter Five Exercises

Why are lenders prepared to lend money to new businesses?

Why do I not recommend that you contact a lender directly to speed up the application process?

Why is US Bank an excellent resource that can be used as a quick-start from my list of lenders?



Q Q Q Q Q

Make a list of some of the lenders I recommend and write down the advantages of using their services.

Which lender on my list do I suggest that you not choose as one of your first two applications? Why?

When dealing with lenders, why is it essential that you maintain a reasonably healthy credit score?

Q U E S T I O N S

- True** OR **False** If a new business owner can provide lenders with strong future projections of their business's profits the owner will likely receive the maximum available line of credit for the new business.
- True** OR **False** You should always "season" money in your business checking account.
- True** OR **False** Any lender who gives you an unsecured business line of credit has the right, at any time, to check your credit profile to ensure that you still have a reasonably healthy credit score.

Appendices

Appendix One: Answers to "True or False" Questions

Chapter One

Step 1: Understanding the Credit Reporting System

1. False
2. False
3. False
4. False
5. True

Chapter Two

Step 2: Setting Up a New Business on Paper

1. False
2. False
3. True
4. False
5. True

Chapter Three

Step 3: Working with Partners

1. False
2. False
3. True
4. False
5. False
6. True

Chapter Four

Step 4: Acquiring Many Unsecured New Business Lines of Credit

1. True
2. False
3. False
4. True

Chapter Five

How to Form Relationships with Lenders

1. True
2. False
3. True

附录二

Appendix Two: Lenders

Bank of America

Tel: 888-600-4000 (Small Business Sales)
Website: www.BankOfAmerica.com

Citibank

Tel: 888-382-7759 (Citi Business)
Website: www.Citibank.com

Wells Fargo

Tel: 800-416-8658 (General)
Website: www.WellsFargo.com

First National Bank of Omaha

Tel: 800-819-4249 (General)
Website: www.FirstNational.com

American Express

Tel: 800-433-3550 (New Card Application)
Website: www.AmericanExpress.com

US Bank

Tel: 800-872-2657 (General)
Website: www.USBank.com

Capital One

Tel: 800-424-9977 (General)
Website: www.CapitalOne.com

First Equity Bank

Tel: 866-756-7870
Website: www.FirstEquityCard.com

Chase Bank

Tel: 888-878-3151
Website: www.Chase-Credit-Cards.com

Mastercard Applied Intelligence

Tel: 888-321-9119
Website: www.MasterCardBusiness.com

Harris Bank

Tel: 888-340-2265
Website: <https://www4.harrisbank.com/secure>

W W W W W

Appendix Three: Internet Only Lenders

These are some lenders that I recommend you directly apply for credit with over the Internet.

WorldPerks® Visa® Business Card

Website: http://www.usbank.com/cgi/cfm/credit/buscard/worldperks/worldperks_mktg.cfm

American Express Platinum Business FreedomPass Credit Card

Website: https://www201.americanexpress.com/sbsapply/EACQServlet?request_type=applyNow&bos=b&eep=13107&ct=18

American Express

Tel: 800-SKY-MILES

Website: www.FarBeyondMiles.com

This information is accurate as of time of publication. However, we are continually researching, screening and testing additional business lenders in an effort to offer you more money for your business needs. For new and updated information, make sure you check out <http://www.CashFlowExperts.Biz/Updates> on a regular basis.

Appendix Four: Useful Websites

www.CashFlowExperts.Biz	To find unsecured lines of credit for investing
www.CashFlowExperts.Biz/cashcall	To register for partnership training calls
www.CashFlowExperts.Biz/mentoring	For the opportunity to work with successful investing experts
www.CashFlowExperts.Biz/updates	For new and updated information as well as additional business lenders
www.CashFlowSupport.Biz	For responses to frequently asked questions and information on related articles
www.equifax.com	A credit reporting agency that provides a comprehensive three-in-one report that includes your credit score
www.investordictionary.com	An online dictionary of financial investment terms
www.realtor.com	To find properties for sale

Appendix Five: Sample Reference Pages

Credit Report	26
Application for LLC	46
Application for EIN	48
Articles of Organization Limited Liability Company	54
Member Control Agreement	76
Addendum to LLC Member Control Agreement	77

CASHFLOW

Appendix Six: Glossary**A**

Articles of Incorporation:

An agreement specifying the aims and conditions of individuals joining together in a joint enterprise. To form a corporation, this document must be filed with the state in which the company conducts its business.

Annual Percentage Rate (APR):

An annual percentage rate (also known as the interest rate) that is charged by the lender. The APR is the amount charged per year on the money owed.

B

Bankruptcy:

The legal process in which a person or firm declares inability to pay debts.

C

C Corporation:

A C Corporation (also called a regular corporation or a C-Corp) assumes an independent legal and tax life that is separate from its owners. It is taxed under Subchapter C of the Internal Revenue Code and is the default corporation formed by the incorporating company.

Credit Reporting System:

A Federal Trade Commission-approved method of calculating a person's credit score and assessing their credit risk.

Credit Score:

A credit score is a numerical index which represents an estimate of an individual's financial creditworthiness. Lenders, such as credit card companies, use credit scores to determine credit limits and interest rates.

D

Dun & Bradstreet (D&B) Number:

A D&B Number is a sequence of numbers that is recognized as the universal standard for identifying and keeping track of businesses worldwide.

E

Employer ID Number (EIN):

The number that is used by the Federal government for reporting all federal tax information.

F

Fair Isaac Credit Organization (FICO):

A credit score that most lenders use to determine an individual's credit risk.

H

Home Equity Line of Credit (HELOC):

A loan in which the lender agrees to lend a maximum amount within an agreed period. This differs from a conventional home equity loan in that the borrower is not advanced the entire sum, but uses the line of credit to borrow sums that total no more than the amount.

DEFINITIONS

L

Lenders:

Any institution, including a commercial bank, savings and loan association, commercial finance company, or other entity that is qualified to make loans to individuals.

Limited Liability Company (LLC):

A company that combines the personal liability protection of a corporation with the tax benefits of a partnership. The owner of an LLC are not personally responsible for its debts and liabilities, but enjoy the benefit of being taxed only once on their profits.

Limited Liability Partnership (LLP):

A state-regulated business entity that shares many of the features of a regular partnership, but offers reduced personal responsibility for business debts. The degree of protection is less in an LLP than in an LLC.

M

Member Control Agreement:

A formal, written document signed by all parties that outlines the general terms of the agreement between the partners in the business.

N

Non-recourse Business Line of Credit:

A type of loan in which the borrower is not personally liable for repayment. The only solution available to the lender in the event of the borrower's default is to foreclose on the collateral.

P

Paydex:

A dollar-weighted indicator of payment performance based upon a defined payment experience as reported to D&B by trade references.

R

Recourse Debt:

A recourse debt is a debt that needs to be paid back by the borrower within a defined period of time.

S

Subchapter S Corporation (S-Corp):

A Corporation that has a special tax designation identifying it as a small corporation meeting certain requirements under Subchapter S of the Internal Revenue Code.

U

Unsecured Business Lines of Credit:

Funds offered by financial institutions (i.e. lenders). The borrower is not required to put up any assets to secure their business loan. Instead, a lender will determine a borrower's financial integrity by the strength of their credit history.

Most of the definitions have been taken from www.investordictionary.com