

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order No.: S-13-1250-14-SC01
5 Whether there has been a violation of the)
6 Business Opportunity Fraud Act of) STATEMENT OF CHARGES AND NOTICE OF INTENT
7 Washington by:) TO ENTER ORDER TO CEASE AND DESIST
8)
9 Secured Investment Corp.; and Lee Arnold;)
10)
11 Respondents.)

12 **THE STATE OF WASHINGTON TO:** **Secured Investment Corp.; and**
13 **Lee Arnold**

14 **STATEMENT OF CHARGES**

15 Please take notice that the Securities Administrator for the state of Washington has reason to believe that
16 Respondents Secured Investment Corp. and Lee Arnold have violated the Business Opportunity Fraud Act of
17 Washington and that their violations justify the entry of an order of the Securities Administrator under RCW
18 19.110.150 against the Respondents to cease and desist from such violations. The Securities Administrator finds the
19 following:

20 **TENTATIVE FINDINGS OF FACT**

21 Respondents

22 1. Secured Investment Corp. is a Wyoming corporation formed in 2011 for the purpose of operating a private real
23 estate lending business, hosting real estate investment seminars, running a loan servicing company, and maintaining a
24 referral program. Secured Investment Corp. operates its referral program using the name "Private Money Exchange."
25 The company maintains a principal place of business in Coeur d'Alene, Idaho.

26 2. Lee Arnold, a Washington resident, acts as the principal and Chief Executive Officer of Secured Investment
27 Corp.

28 Introduction

29 3. Secured Investment Corp. operates a private real estate lending business, in which it matches prospective
30 borrowers that seek financing to purchase non-owner occupied real estate with private lenders that seek to earn income
31 by lending to select borrowers. Secured Investment Corp. underwrites and executes each loan, and the company
32 collects a number of fees for each loan that it brokers. Each loan that Secured Investment Corp. brokers is secured by
33 the mortgage or deed of trust for the purchased property.

1 4. Lee Arnold created a referral program to increase the pool of prospective borrowers and private lenders for
2 Secured Investment Corp. Through the referral program, Secured Investment Corp. makes payments to third-parties
3 for referrals of prospective borrowers or private lenders that enter into a loan brokered by Secured Investment Corp.

4 5. Lee Arnold advertised the referral program through the websites for Secured Investment Corp. and through
5 real estate investment seminars that he hosted. From 2012 to date, approximately 22 Washington residents have paid to
6 join the referral program, and during this period, Secured Investment Corp. has collected approximately \$22,000 from
7 these Washington purchasers.

8 Nature of the Referral Program Offering

9 6. For a fee of \$997, Secured Investment Corp. provides purchasers with marketing and training material,
10 offering purchasers the opportunity to earn money by referring prospective borrowers and lenders to its private money
11 lending business.

12 7. As part of the purchase fee, Secured Investment Corp. states that it will provide purchasers with their own
13 squeeze page or landing page, which is a single web page that advertises Secured Investment Corp.'s services and
14 invites visitors to submit their contact information. Purchasers can track the information submitted through their
15 squeeze page on an online account provided by Secured Investment Corp. The online account also contains short
16 training videos about best practices in marketing. Secured Investment Corp. represents that it will offer technical
17 support services for each purchaser's online account.

18 8. Secured Investment Corp. further represented that it would provide purchasers with ongoing training, such as
19 access to weekly real estate webinars hosted by Lee Arnold or other Secured Investment Corp. representatives.
20 Secured Investment Corp. also claimed that it would supply purchasers with Secured Investment Corp. advertising and
21 promotional material, as well as with personal business cards with the Secured Investment Corp. logo.

22 9. Purchasers can either be individuals or legal entities, but Secured Investment Corp. asserts that purchasers act
23 as independent contractors for, rather than as employees or agents of, Secured Investment Corp. Purchasers, Secured
24 Investment Corp. represents, can work from home on their own terms.

25 10. For every loan that Secured Investment Corp. brokers between a prospective borrower or private lender
recommended to the company by a purchaser, Secured Investment Corp. states that it will pay the purchaser twenty-
five percent of the origination fee that Secured Investment Corp. collects. For example, if Secured Investment Corp.
charges a six percent loan origination fee on a \$100,000 loan brokered between either a prospective borrower or
private lender that a purchaser recommended to the company, then Secured Investment Corp. will pay that purchaser
twenty-five percent of the loan origination fee that it collected, or \$1,500.

11. Lee Arnold represents that through the referral program, an average deal pays purchasers \$1,500, although he
has failed to provide purchasers with the basis or assumptions underlying this claim. Additionally, at one time, Secured
Investment Corp. provided purchasers with a thirty-day money back guarantee. Currently, Lee Arnold guarantees

1 purchasers that if they do not double their initial payment of \$997 within twelve months, then Secured Investment
2 Corp. will write the purchaser a check for \$1,994. Neither Lee Arnold, nor Secured Investment Corp., provided
3 purchasers with any information about Secured Investment Corp.'s ability to finance these refunds.

4 12. Two years ago, Secured Investment Corp. cancelled the weekly real estate webinars that it hosted, and some
5 purchasers have yet to receive any advertising material or business cards from Secured Investment Corp. Moreover,
6 both Lee Arnold and Secured Investment Corp. have failed to disclose to purchasers what percentage of purchasers
7 receive any compensation from the referral program.

8 Past Litigation

9 13. In 2009, in Utah, Lee Arnold was named as a defendant in a civil suit alleging misappropriation of funds. In
10 2011, the parties settled the matter out of court.

11 14. Both Lee Arnold and Secured Investment Corp. failed to disclose to purchasers this past litigation and would
12 have been required to list it in a business opportunity disclosure document.

13 Failure to Provide a Disclosure Document

14 15. In connection with the offer and sale of the Secured Investment Corp. business opportunity, the Respondents
15 failed to provide prospective purchasers with a disclosure document as required by RCW 19.110.070.

16 Registration Status

17 16. Respondents Secured Investment Corp. and Lee Arnold are not currently registered to sell business
18 opportunities in the state of Washington and have not been previously so registered.

19 Based upon the above Findings of Fact, the following Conclusions of Law are made:

20 **CONCLUSIONS OF LAW**

21 1. The offer and sale of the opportunity to become part of the Secured Investment Corp. referral program as
22 described above constitutes the offer and sale of a business opportunity as defined in RCW 19.110.020 and RCW
23 19.110.030.

24 2. The offer or sale of this business opportunity is in violation of RCW 19.110.050 because no registration for
25 such offer and sale by Respondents Secured Investment Corp. and Lee Arnold was on file with the Securities
Administrator for the time periods during which these offers and sales occurred.

3. The offer and sale of this business opportunity was in violation of RCW 19.110.070 because Respondents
Secured Investment Corp. and Lee Arnold failed to provide prospective purchasers with the required disclosure
document.

4. The offer or sale of this business opportunity was made in violation of RCW 19.110.120 because Respondents
Secured Investment Corp. and Lee Arnold omitted to state material facts in connection with the offer and sale of a
business opportunity in Washington.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Secured Investment Corp. and Lee Arnold, including their agents and employees, each shall cease and desist from violations of RCW 19.110.050, RCW 19.110.070, and RCW 19.110.120.

AUTHORITY AND PROCEDURE

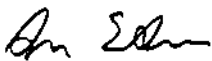
This Order is entered pursuant to the provisions of RCW 19.110.150 and is subject to the provisions of Chapter 34.05 RCW. Respondents Secured Investment Corp. and Lee Arnold may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If a respondent does not request a hearing within the allowed time, then the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to cease and desist permanent as to that respondent.

Signed and Entered this 20th day of August 2014.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Eric Palosaari
Financial Legal Examiner

Reviewed by:

Jack McClellan
Financial Legal Examiner Supervisor