

April 14, 2007

Dear Student,

Recently I applied to extend my operation on borrowing private money within the State of Ohio. In submitting my paperwork to the Ohio Division of the SEC, they came in and did a full scale checkout of my entire operation. I was fully, 100% scrutinized by the The Division of Securities, including a look at all of my internal paperwork. To my knowledge, they called every single one of my private lenders and interviewed them.

The Division did not come to me. **I went to the Ohio SEC Division myself** because I wanted to be absolutely sure that I was in compliance, even if it meant I may have to take a hit. I felt it was imperative to protect my integrity.

They took a close look at my operation because I have nearly 40 lenders and a few million in private lender loans at any point in time. They found that not one person had ever lodged a complaint against me. They found that all lenders were always paid promptly. They found all lenders were adequately securitized by the loan they made.

As they looked over my advertising, I wanted full disclosure so I told The Division that I used the word 'guarantee' in advertisements prior to 2004, promising a particular interest rate. Using the word 'guarantee' when dealing with private lenders is not allowed and so they have issued a cease and desist against me on something that I *voluntarily* stopped doing in 2003 when I found out it is not allowed. You know how rumors will fly and I wanted you to hear it from me.

Early in my career, I had gotten the word guarantee directly from a real estate instructor's material on how to find private lenders, and then used it in my advertising. I didn't get any private lenders from that ad, but to the SEC it is not allowed, regardless of when you use it.

When I first started out as a real estate investor, I learned from real estate gurus, just like you have. I followed their direction. My early mentors told me there were no SEC rules when dealing with private lenders. What they told me was not true, but ignorance of the law is no excuse.

Along the way, as I began to teach, I began to hear that some of their methods were potentially incorrect so I hired my own attorney, not only for myself but also for my students. I found that there are definite requirements that we must follow when dealing with private lenders. So in 2005, I picked up the charter to teach SEC compliance regulations along with the techniques of finding

private lenders. I saw a huge void that desperately needed to be filled in our industry.

Like I said above, I then contacted the SEC myself, which put me at risk, but I wanted to fully disclose my business and get their input, good or bad. As a result, I took a slap on the wrist. I also hired a local SEC attorney to help me with this as well as check what I was having my other attorney do for me. This was a huge plus. My goal was to be 100% accurate for my business as well as instructing my students.

When the dust settled, even though I had taken the initiative and gone to them myself, I was issued a cease and desist. It basically states I cannot do what I had already stopped doing 3 years ago.

That does not stop me from borrowing money from private lenders. Nor does it have any other business impact.

When I look back, the error I made when I was a new real estate investor, is that I did not know 'the exact rules' when dealing with private lenders. I should have hired a local SEC attorney to compliment my bank of real estate attorneys.

Everything that I have been teaching in the past 2 years on SEC compliance is completely within their guidelines. As a side note, my Ohio SEC attorney told me the Ohio Division of the SEC has my compliance manual in their possession and they find nothing wrong with it.

I know that because of what I went through, I am better equipped to teach how all of us can be in compliance with the SEC rules. As an instructor, I now have the huge benefit of spending hours directly with The Divisions enforcement officers and my own local SEC attorney. What I have experienced just validates that real estate investors need to understand what the SEC wants. The rules are not hard to follow but it is critical we all know what is required.

I will be open to questions; from you if you need more information. Please email me at [mkt@acowgill.com](mailto:mkt@acowgill.com) or call toll free 866-831-3540.

Sincerely,

Alan Cowgill