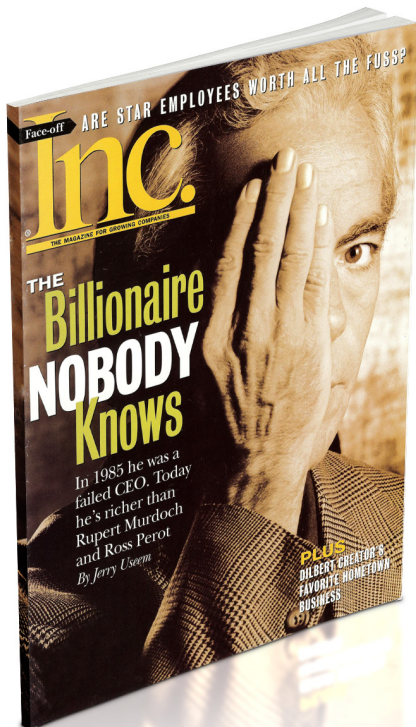


SPECIAL REPORT

BANKRUPT-TO-BILLIONAIRE HOW TO MAKE MONEY IN A BAD ECONOMY



BY BILL BARTMANN



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of the Year Winner

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BILL BARTMANN'S SPECIAL REPORT

When it comes to acquiring wealth, the general public has two major blind spots:

- 1) They have no idea that bad economies are actually the best times to generate wealth;
- 2) They truly believe that they have to have lots of money, connections, education and experience to become wealthy.

Nothing could be further from the truth. I'm living proof of that.

I grew up in abject poverty, leaving home at age 14 to join a traveling carnival. I've lived under bridges and eaten out of dumpsters. I've been a teenage alcoholic, one who suffered the fate of becoming paralyzed from the waist down after falling down the stairs drunk. Doctors told me I'd never walk again.

I've also become a millionaire three times, bankrupt twice and a billionaire once. I've reached as high as the 25th wealthiest person in America.

I've created a 3,900 person company that was only exceeded by Microsoft in its ability to grow faster for longer.

I've been really, really rich and I've been really, really poor. (Yes, rich is better.) And, in this report I will show you things about making money that are typically only known by the most successful individuals in our society.

Most importantly, the business methodology for making money in a bad economy I will teach you, using my real life experiences as a backdrop, are usable by anyone regardless of age, race, economic situation, geography, credit history or education.

THE ECONOMICS OF FINANCIAL OPPORTUNITY

Today in 2010 we have what economists believe to be the worst economic conditions since the Great Depression of the 1920's and 30's.

The amount of people out of work exceeds 10% of the population. This has caused a ripple effect throughout the economy, resulting in foreclosures, loan defaults and record levels of corporate and personal bankruptcies.

For the first time it is believed this coming generation will be financially worse off than the generation that preceded it.

That is macro economics.

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Micro economics is different. It isn't concerned with "THE" Economy, rather it's about "YOUR" Economy. And make no mistake about it, they are completely different.

It is certainly true that in bad economic times significant portions of the population find themselves worse off.

It is also true that not all people are worse off.

Some in fact are better off and some are doing better financially than they ever have in their lives.

Throughout history, the shrewdest business people have always seen recessions and depressions for what they rightly are: An amazing opportunity.

If you know what you're doing a "bad" economy can be your greatest opportunity to create wealth. Why? It's pretty simple really, in a down economy everything is on sale.

This is why you see smart business people like Warren Buffet, Donald Trump and the folks at Google buying, not selling, when the economy is at it's worst. They're taking advantage of others panic, doom and gloom.

The problem is that most people have no idea how to make money when times are bad. They see mass layoffs, companies not spending, tight credit and declining stock prices which blind their traditional eyes to the opportunities that abound.

THE CRITICAL VIEWPOINT TO MAKING MONEY IN A "BAD" ECONOMY

Seeing opportunities in a "bad" economy requires you to change your perspective.

Get this concept into your brain:

What is a good economy for one type of business can be an absolutely lousy economy for another, and vice-versa.

For example:

- Some businesses will only have skyrocket growth in "good" times (i.e. Luxury Automobiles, Private Jets, Corporate Real Estate)
- Some businesses will only have skyrocket growth in "bad" times (i.e. Bankruptcy Attorneys, Pawn Shops, Credit Counseling)

This business lesson was responsible for enabling me to become a billionaire and the 25th wealthiest American in 1998. However, it was a lesson I was forced to learn the hard way.

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A LESSON IN THE SPEED OF FAILURE – OPEC, OIL & THE CRASH OF HAWKEYE PIPE

In the '80's I became a millionaire in the oil business.

My company, Hawkeye Pipe, supplied drilling rig operators in Oklahoma with the drilling pipe to send down the hole and get the well drilled.

Times were good until something happened on the other side of the planet, and no one saw it coming: The bottom fell out of the price of oil.

Oil had been trading at around \$40 per barrel. In August of 1985 Saudi Arabia suddenly increased its production from 2 million barrels per day to 5 million barrels per day. Within a short period the world price per barrel dropped to \$14.

Economists and oil people alike thought that the price would soon rebound. Even people who had no delusions about the profit motives of OPEC figured that the price would go up. OPEC was hurting itself by flooding the market with so much oil that the price collapsed. Soon they had to come to their senses and slash production, causing prices to rise once again.

For me, when oil prices collapsed, drilling stopped cold. Drillers figured there was no point spending more money to poke holes in the ground only to lose money when trying to sell that new oil at the new low price.

Therefore our demand for pipe dried up virtually overnight. It was a body blow to Hawkeye and when the oil market did not recover I had no choice but to shut down Hawkeye. One decision from OPEC and 3 months later we were toast.

When the music stopped, I was left with a \$1 million note that I had personally guaranteed to American bank. I was flat broke again. (To be accurate, it would cost me a million dollars to be flat broke.)

Key Point: This collapse occurred amidst the massive affluence of "go-go" 80's when it seemed like EVERYONE was making money hand over fist. This "good" economy, was actually a horrible economy for those in the oil business.

BOUNCING BACK – THE BAD ECONOMY OPPORTUNITY & SEED OF GREAT WEALTH

After Hawkeye went under I fell into a profound depression. Quite literally I did not leave the house for weeks. I didn't even leave the bedroom for days at a time, but sat and watched cartoons. I'm not proud of that statement, given that I was a husband and father at the time and had responsibilities. I'm just describing the truth about depression—about the feeling of having no feelings.

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Everything was a shade of gray and nothing looked promising. I had given Hawkeye my best shot and it was not good enough. We subsisted on credit cards.

I really wish that I could remember what got me out of this mental slump. It was like my own personal Dark Ages when not much got accomplished or written down. The most I can recollect is that I began to take baby steps in the direction of looking for opportunities.

I began to broaden my horizons in terms of the kinds of businesses I might get involved in. Each day I went to the kitchen table and fixed a cup of coffee. Then I checked both the Muskogee Phoenix and the Tulsa World newspapers for anything that remotely looked like I could make a living from it.

It was not promising. I lived in a small town smack in the middle of an oil-dependent economy and oil was slumping big-time.

"Welders needed to disassemble oil rigs for scrap..." No, that was not for me.

"Portfolio of defaulted loans available...." What kind of idiot would buy these!

"Short-order cook needed for night shift...." Been there, done that.

The next day was the same ritual of thumbing through the papers:

"Experienced forklift operator..." I'd driven them around but only for fun at Hawkeye.

"Portfolio of defaulted loans available...." There's that ad again. It continued:

"Federal Deposit Insurance Corporation offers for auction a portfolio of defaulted consumer loans...." If they're defaulted, then what good are they!

"Assistant Funeral Director..." No thanks.

Struck out again. The next day I opened the paper and there it was again:

"Portfolio of defaulted loans available...."

Okay, now I'm more curious than anything. It sure sounded like the government was trying to pull a fast one on some unsuspecting schmoe. If these loans had any value whatsoever, why would the government be auctioning them off?

Given that my inbox only had bills in it, I was in no hurry to start the day. I decided to call the number on the ad. I was told that the portfolio of loans was available for inspection at the Bank of Commerce in Tulsa.

"Will it cost me anything to inspect them?" The man said it would not.

I drove from Muskogee to Tulsa, using the back roads so I didn't have to pay on the toll road. I was watching my pennies that carefully.

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When I got to the Bank of Commerce I was shown into an empty room and moments later a secretary delivered one of those brown cardboard file boxes. That was the portfolio. It consisted of a hundred or so file folders, each telling the sad story of a defaulted customer.

I later pieced together the typical journey a loan took. All these steps in the journey were pieces of paper in the file. Before the borrower took out the loan, of course there was an application that stated the borrower's income, credit rating, etc. Then came the loan agreement itself. The file usually contained a report on how many payments the borrower made before he defaulted. There was documentation about the bank's efforts to collect on the loan.

Once the bank did all it could, it sent the file to a primary collector, who was paid on commission based on how much it could extract from the borrower. This was where the strong-arm tactics began in earnest. If that collector was unsuccessful, the bank sent the file to a secondary and later maybe a tertiary collector to see if they could get any money from the borrower. If no one had success, the file was returned to the bank, which typically filed it in some dusty basement corner to sit for a few years. Eventually the bank just shredded the oldest files.

Some of the files were thin, ending in a note scrawled diagonally on the top page: *Deceased*. Not much of a written legacy.

Other files were very thick, and described literally dozens of interactions between the borrower and collection agents.

What am I doing here? What am I looking at? How is there any value in this box of junk loans?

I might as well have been brought to the U.S. government's secret facility at Area 51 in the desert and have been given papers from captured Martians to decode.

MY "LIGHT BULB" MOMENT

Quite soon I noticed something interesting —these borrowers seemed a lot like me! As I stared at this box of loans, I realized I was a world-class expert on being broke. I'd practiced it all my life, with a few brief exceptions. I was practicing it again right now.

I looked through more files in a different light now. I saw other notations in the files:

- *We'll get nothing from this scumbag.*
- *Deadbeat will promise anything to get you off the phone.*
- *Moron pretends he doesn't speak English.*

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I always wondered what bill collectors said about me after our calls. Now I could see what they said about other people.

I also knew something for an absolute certainty—if they had only treated me with dignity and respect, I would do what I could to earn that respect and pay them back.

Hmm. What if I did just that? I wonder what would happen? The very worst that could happen was they would pay me nothing, just as they paid the screaming bill collectors nothing. On the other hand, maybe a few of these people are hard-working and just down on their luck, like I was.

I got out my pencil and notepad. Now I was looking not at dusty files but at stories. At one point all these people had looked at least okay to the bank or they wouldn't have lent them money. So what happened?

By using my own experience with being poor I viewed each story in terms of what was most likely going in that person's life. Did Martha pay on time like clockwork until her little girl got sick and now Martha can't make ends meet? Did Jose show he was hard working by holding down three jobs but now was laid off from two?

Every single file had a story. The strange thing was I knew people with similar stories to most of these I was now reading. So now I jotted down my seat-of-the-pants guess as to what each person could repay.

If Martha originally owed \$8,400, I might reckon—and I use that word on purpose because it was a form of dead reckoning—that she might be able to pay \$1,000. Jose looked like he might be good for only \$800 of the \$9,100 loan he took out, based on what I saw in the file.

When I was done, I had several pages of notes. Each borrower had two numbers next to a name: original loan amount, and estimated recovery amount.

I then added up both columns. The first column equaled \$670,000 and the estimated recovery column added up to \$39,000. That meant I thought I just might be able to get six percent of the original loan amount. I had not been trying to convince anyone with my estimate, so I had no bias that I could see.

I also had no idea if this was the *right* way to evaluate a box of loans. I just knew it had the benefit of common sense.

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THE POWER OF OPM (OTHER PEOPLE'S MONEY)

My next step was to head on over to American Bank of Muskogee. They had been my bankers when I lost my butt in the oil business.

I knew they would pay attention to what I had to say for another reason: I owed them a million bucks and it was in their best interest to help me find a way to pay it back.

I had yet another reason for going to American Bank. I wanted them to finance my purchase of this box of loans. That's right. I was going to ask the very people to whom I owed a million bucks to lend me more money. Go ahead, call me crazy, most others did too.

I made an appointment with John Baker at the bank. We went over how I came across the box of loans and what my analysis had been. He asked what I wanted to bid on the box and I said \$13,000. He agreed to loan me the money, just like that. If there's one thing bankers understand it's how collecting delinquent loans works.

[Note: Over the years I financed 100% of the 4,500,000 loan I purchased. This totaled \$15 billion dollars in loans from over 800 banks. I now teach my students how to do this.]

STARTING THE BUSINESS THAT CHANGED MY LIFE – AND COULD NOW CHANGE YOURS TOO

On my original pad of paper I thought I could recover \$39,000. That was just an uneducated guess on my part, not being in the business. However even I knew not to bid that amount. I could be off by a lot. I had decided to bid one-third of that amount -- \$13,000.

I put in my bid before the deadline. The next day I got a phone call that I had won the bid.

I later learned that I was the only bidder, and that was the very first box of loans that the FDIC had ever offered to the public, anywhere. I was a pioneer. Now the only question was whether I'd be the kind of pioneer who soon would be face-down in the mud with a bunch of arrows in his back.

When I told John Baker that I had won the bid he was semi-excited for me. Maybe I'd be able to repay part of the million bucks. Then again maybe he was about to waste another thirteen grand on top of the million. Even though John knew me, he still had his guy drive with me to Tulsa with the check from the bank. We handed the nice lady the check and she handed us the dusty box of papers.

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I went home and spread out the file folders on our kitchen table. I organized them in order from the highest dollar-amount of cash I thought would be recoverable, down to the files which even I thought were worthless.

I then picked up the phone. With no training to guide me, I only had my common sense and knowledge of what it was like to be receiving such a call. It didn't take many calls to realize that I was onto something. If I treated people respectfully, they were blown away. Some even thought I was a friend playing a prank on them because I surely couldn't be a bill collector.

They soon came to understand several things about me: I would not verbally abuse them on the phone and I would listen to what they told me about their situation. I was not calling to beat them up but instead to put our heads together to solve this problem.

Before you think that I was merely calling them up to have a feel-good chat, that was not the case. I needed to put food on the table and my goal was to collect on their debt. They *owed* the debt which I now *owned*. On the one hand I would be polite and respectful. On the other hand I would persist.

I also came to realize that the less I talked, the more successful I was. I would find out what was going on in their life. Something caused them to go from a good credit risk to a terrible one, and I wanted to know what it was. I heard many different stories: the wife left me, that bum walked out on me, my girl's in the hospital, the local factory laid me off, and so on. As I listened I scribbled copious notes.

I distinguished myself not only by actually listening to them but also by what I did next:

Me: "Joe, man it sounds like you're really going through a tough time. I wouldn't want to be in your shoes. Joe, you need some time to get your life together, and this boat payment is not the first priority. How about I call you in 30 days. Would that work for you?"

Joe: "What? You mean you're not going to hound me again tonight and every day until I pay?"

Me: "No, Joe, I am not. You need time to work through the fact that Suzy's left you and you're laid off from Acme Roofing. How about I call you on...let's see...on July 14? Would that work for you?"

Even on this first box of loans I discovered that if I did the unexpected and acted with integrity, I would achieve unexpectedly good results.

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THE SECRET TO MAKING A BILLION DOLLARS

Over the next 30 days, I collected \$63,000 on that first box of loans. My estimate had been \$39,000 and even with starting from nothing, I had beat that by a mile.

I went down to the bank to talk with John Baker. We had an agreement about that first box: I would first repay the \$13,000, then I would pay myself \$10,000 to live on, and the rest would go toward paying down my million-dollar debt. In this case, that amounted to \$40,000.

Although both John and I knew that \$40,000 was a drop in the bucket, we both sensed I might be onto something. Being the bank president he was, John knew how much bad debt was sloshing around in the basement of most banks. I now knew how to recover it from loans which banks regarded as next to worthless.

By now you can guess what were the next words out of my mouth to John: "Hey John, let's do that again. How much can you loan me?"

Baker agreed to loan me \$100,000 for the next box of loans. This time I was familiar with the process of reviewing the box of loans in the basement of the Bank of Commerce. I also had my notes on how my original predictions matched what I actually collected.

I want to take a *time out* here to point out something. Many people have asked me the secret to making a billion dollars. It's disappointing but true when I reply to them that there are no real secrets, the way the Coca-Cola formula is a secret.

Instead I employed some very simple actions over and over with great effect.

One of those actions was to compare my predictions to actual results. I cannot emphasize strongly enough how important it is to learn from the past. I made a guess on that first box of loans, but an *educated* guess on the second box. By that point I had a couple hundred loans under my belt in terms of knowing how they turned out. I could now tune my analysis based on what I previously experienced. This was an action I insisted upon with every single loan in every box we would ever buy.

Back to the second box: There was little if any competition from bidders on those early portfolios of loans, because I kept bidding on them and winning.

This new enterprise did not even have a name yet. It consisted of my wife Kathy and me at our kitchen table. The third person to take part in this endeavor was Jay Jones. He was available after I closed the doors on Hawkeye Pipe. It was Jay who suggested that we might call the company *Commercial Financial Services* or *CFS* for short. It sounded so much more established and corporate than *Three People At A Dinette Table*.

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American Bank continued to loan us money to buy more portfolios of loans, and we continued to pay back those loans promptly. Individual loans soon became cumbersome because I was buying one portfolio after another. Soon I worked out a line of credit with the bank, allowing me to draw on the money faster without taking out a new loan each time. As we paid down the line of credit, that much money was freed up to buy more portfolios.

THE WISDOM OF GOING AGAINST CONVENTIONAL WISDOM

By this point I had stopped making calls myself to borrowers, because I was too busy arranging for the next portfolio. I hired collectors to do that for me.

I did the logical thing and looked for experienced people. Very quickly I discovered to my horror that experience did *not* pay. One of my first collectors was Dale, and he was a great collector—if you're in the conventional collecting business. In other words, he could berate the borrower in a whole rainbow of ways.

Furthermore, *experienced* Dale did not recover as much money as *inexperienced* Bill had. That was because in one sense these borrowers were more expert than Dale: They had become accustomed to deflecting all the standard collection techniques.

I thought maybe Dale was just the exception, so I hired other so-called *experienced collectors*. Same result. Within a short time I got rid of all these professionals because it became clear from their lack of results that my approach was not a fluke—it was a better and more profitable way. I began to look for good people who had never been in the bad industry of collections.

I also showed them how to talk with borrowers and how not to talk with them. I insisted that they call the borrowers *customers*, both on the phone and off. Regardless of how they were treated—because some customers were in fact rude to even us—they would be *customers* and not *deadbeats*, *pond scum*, and so on.

MASTERY: THE 5 CORE PARTS OF THE BUYING "BAD" LOANS BUSINESS

Over time I learned that there were really only 5 key components to being successful in this business. They are:

1. How to **Find** the Loans to Purchase
2. How to **Evaluate** What the Loans are Worth
3. How & How Much to **Bid** on Them
4. How to Get 100% **Financing** to Purchase the Loans
5. How to Effectively **Collect** on the Loans Purchased

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I set out with vigor to master each and every aspect of this business. By doing this, over the 12 years in this business we were so profitable that we likely had the best employee benefits of any company at the time.

One time we rented 27 jumbo jets to fly 5,000 people from Tulsa to Disney World for an employee vacation. Another year we rented out an entire cruise ship.

More profoundly, our mastery of the debt collection business allowed us to offer an extraordinary retirement program for our staff. Many companies have 401(k) retirement plans and a few have a matching system where for every \$100 the employee put in, the company might contribute \$50 or even \$100 to that employee's plan to make it grow even faster.

In our plan for every \$100 the employee put in, we contributed an extra \$250. A 250% match for every employee, not too shabby.

TODAY'S ECONOMY - DÉJÀ VU ALL OVER AGAIN – AN OPPORTUNITY FOR YOU THIS TIME

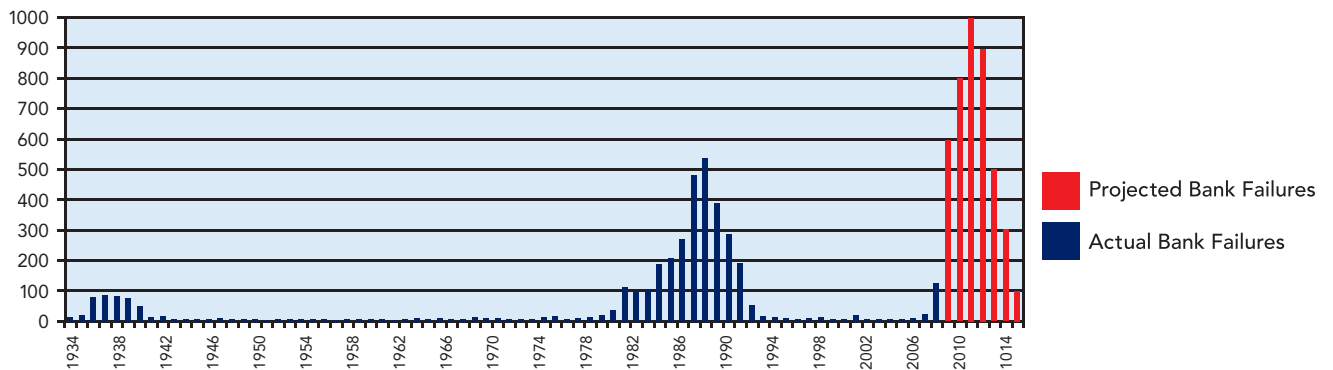
I never thought I'd see an economy more ideal for Buying Bad Loans than the Savings & Loan Crisis where I made my fortune.

I was wrong.

Today's banking crisis and government bailout is approximately TEN TIMES LARGER than what happened in the late 80's and 90's. It's like déjà vu all over again.

This chart below shows the bank failures (when they fail their bad debt eventually floods into the market through government and private sources) throughout history and projected a bit into the future. The far left shows the bank failures during the "Great Depression". The next "bump" is the "Savings & Loan Crisis" where I hit it big. And, in red, to the far right is what is happening today.

ACTUAL & PROJECTED BANK FAILURES 1934 - 2016



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When this banking crisis started to happen I realized that I've seen this movie before, and know exactly how it ends. I couldn't believe my good fortune to think that I get to take advantage of this TWICE in one lifetime.

However, my analysis showed that in all likelihood this is going to be a 3-5 year opportunity, not the 12 year run that I had with CFS. This means I'm going to have to approach this opportunity differently than I did previously. Specifically, it will take too long to build a 3,900 company.

So instead I'm approaching this opportunity differently and in a way that opens the doors for others.

OPERATION: DIVIDE & CONQUER – HOW YOU CAN BECOME A BUSINESS PARTNER WITH A SELF-MADE BILLIONAIRE – IN THE BUSINESS HE MADE HIS FORTUNE

This time instead of going it alone I am instead teaching my exact business methods to others and then partnering with them to create a company in which we will both own jointly.

In this arrangement I become the limited partner, owning 10% of the company. My partners manage the day to day operations while I take on an advisory capacity to help ensure success.

This arrangement gives me tremendous leverage, by having my methodology utilized by what will end up being roughly 100 companies in which I have an ownership stake.

Additionally, it creates an opportunity for serious individuals to become a true partner of mine, in the very same business I've been credited with revolutionizing and becoming a billionaire from.

If you have a sincere interest in being billionaire Bill Bartmann's business partner, send an e-mail to BertDean@ClarionSouth.com with BILL BARTMANN in the subject line and your name, physical mailing address, best phone number, and best time to call in the body of the message.

KEY TAKEAWAYS

Financial success need not be a mystery, including in a "bad" economy. It's really about 3 things:

1. Finding a correct opportunity for the economic cycle you are in;
2. Acquiring the know how that provides you a proven method to follow (It doesn't have to be yours. For example, when it comes to buying bad loans I've got enough experience for us both);
3. Take action. You can't succeed if you don't get off the couch.