

# Orange County Business Journal

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## Home Sweet Growth

By MARK MUELLER - 10/19/2009

Orange County Business Journal Staff

### No. 2 - Stone Equity Group LLC

Where: Mission Viejo

12-month sales: \$10.7 million

Two-year growth: 2,989%

OC workers: 25

Business: distressed housing seller

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The foreclosure crisis has proven to be the best thing to happen to Mission Viejo-based Stone Equity Group LLC.

The upstart company, which began operations about four years ago, already had been seeing strong growth working with developers to sell off distressed and discounted homes across the country to individual investors.

Then the foreclosure crisis hit, flooding the market with distressed homes by the tens of thousands.

Stone Equity switched course a year ago and started going after more affordable homes that had been taken over by lenders.

The company's mantra remains the same—to help investors save for their retirement by owning homes that can kick off cash from renters.

“As the market changed, we changed our focus,” said Joshua Host, Stone Equity's chief executive and principal. “Banks need to get these toxic assets off their books. There's no shortage of homes we can invest in.”

It's been a whirlwind year since switching game plans.

Stone Equity ranked No. 2 on the Business Journal's 2009 list of fast-growing private companies with sales growth of 2,989% for the two years through June 30, according to Business Journal estimates.

For the 12 months through June, Stone Equity had estimated sales of \$10.7 million, up from \$346,000 for the same period in 2007.

The company is the only one from 2008 to repeat in the top 10 of the list, which, by its nature, sees a lot of fluctuation.

A year ago, Stone Equity ranked No. 5 with a 477% growth rate.

The company now counts about 105 workers, about four times the number of employees it had a year ago. About a quarter of them are in Orange County.

A year ago, the company's goal was to be involved in about \$100 million in property sales. Now smaller is better, according to Host.

Previously, Stone Equity tried to help investors buy homes in the \$200,000 range from developers and homebuilders that couldn't otherwise sell them.

Now, the company advertises the ability of investors to buy foreclosed properties for as little as \$29,900.

“How cool is that?” said Host, who mixes a laid-back demeanor with Tony Rob-bins-style inspiration.

The company's clients are buying homes for 10 cents to 40 cents on the dollar with cash, according to Host.

Most buy to rent the homes out and collect cash on them. A few buy them as their primary homes.

The company advertises a 12% to 20% return on investment for its deals.

Stone Equity also provides advice on taxes, financial services and property management.

Most of the homes need plenty of work done once they're bought. Stone Equity helps investors rehab them.

The company's director of construction came from Lennar Corp., a Mia-mi-based homebuilder with major operations in Ali-so Viejo.

After rehab work is done, a \$29,900 home could be worth closer to \$45,000. Investors see cash flow of \$450 to \$680 a month by renting them out, according to the company's marketing materials.

Fifteen to 100 homes are bought every month. Some of Stone Equity's clients have bought 10 or more. The company's actively buying homes in about 20 states, according to Host.

A recent TV news report in Kansas City, Mo., shows Host with foreclosed homes that are being rehabbed for renters or grateful first-time homeowners.

About 75% of the company's investors are from California.

Stone Equity now does a lot of seminars to drum up business.

"We had done a lot of our business over the phone. Now we're using a seminar platform," Host said. "We speak to a lot of clubs."

The seminar selling and low prices for the homes the company advertises to potential investors bring their share of skepticism.

While the company's business model has changed in the past year, its quirky marketing strategy—heavy on slogans and user testimonials—remains.

Host hasn't shied away from detractors, answering critics on real estate investment message boards, explaining the company's business and how deals are done.

The company has its own online investment advisory site, at [SegaAdvisors.tv](http://SegaAdvisors.tv), among several other Web sites it runs.

User testimonials can be found on YouTube.

Says Host on the company's Web site: "You have to do what's uncomfortable until it's comfortable and then find another uncomfortable challenge. This is the true path to personal growth."

Host said he began the company after he started thinking about his parents' impending retirement—and realizing that retirement isn't an option for most people that reach 65 years of age.

The company was self-funded with a \$320,000 investment. Getting more money to grow is the biggest challenge facing Stone Equity.

"There's a lot of opportunity but a lack of capital," Host said. "We're self-capitalized—the biggest challenge is looking for ways to (fund more) business."