

EPISODE 288

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[00:00:23] WS: This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today our guest is Roni Elias. Thanks for being on the show Roni.

[00:00:31] RE: Thank you for having us.

[00:00:32] WS: Yeah, I'm honored to have you on the show. Roni is the Lead Asset Manager of TownCenter Partners LLC. He's worked in litigation cases reaching over 9.5 billion Dollars in recovery. He has managed a portfolio of over 520 million Dollars in assets, has been published in multiple law review journals, including, but not limited to the N.Y.U and many more. He is a current officer of the Federal Bar Association 80R division and more.

Roni, thank you so much for your time today, I appreciate you being on the show. Give listeners a little more about what your focus is and what your business actually is.

[0:00:01.06] RE: Sure thing. We live in the very exciting world of litigation finance. So we help plaintiffs nationwide and overseas. You know, the worst thing is to get our get sued and to deal with a lawsuit. So, we step in, assist in funding that lawsuit and if everything goes well, we recoup our initial investment plus our return. If things don't go well, no harm, no foul. We funded that lawsuit, and nothing is owed or is due back. So, we can try to assist the plaintiff by taking that financial burden and some of that stress off from a lawsuit.

[00:01:47] WS: Wow, so who's your typical client?

[00:01:49] RE: Our typical client, predominately right now we're doing a ton of real estate litigation. It could be anything from some kind of breach of contract but right now we're seeing a major uptick in real estate litigation, which can be, you know, from partner disputes, insurance disputes, and sometimes even dealing with cities or county's not either giving some type of permits so you can build what you need to, or zoning issues. So, we kind of step in and give that financial firepower to get you across the hurdle.

[00:02:31] WS: Okay, so if somebody sued me for something, or whatever, my partner sued me or anything to do in the business, I might contact you. Or maybe because I can't fund or protect myself or fight back. Is that right? You know, am I gonna hire you all to help fund that?

[00:02:44] RE: Yes, but one caveat to that, we always just fund the plaintiff. So, if someone is suing someone else –

[00:02:52] WS: Okay.

[00:02:53] RE: – the plaintiff is the one who was the party that supposedly got hurt and is now taking action against someone else. That is who we fund. The other side is called kind of like Defense Fund. We don't do any of that. We just kind of focus on assisting the plaintiff.

[00:03:11] WS: Okay. So, is there an example, recently, to help us understand a little better about when we would use somebody like yourself, when we would use your services? Maybe an example that's happened recently.

[00:03:24] RE: Sure thing. Let's just say you know, Jane Doe Apartments. This small syndicator or apartment owner owns an apartment complex. Let's just call it, 200 units. And a tenant is barbecueing and, God forbid goes in and tries to grab a drink, and next thing you know that complex has now caught on fire. God forbid, you know, by the time the fire department or the sprinkler system or whatever caught, there's substantial damage done to that one building.

So, let's say 20 or 30 units now are taken out. That's of course, not only monthly income that has been taken out. Now you've got to go take care of your tenants. You know? How are you gonna replace them? Or are you going to try moving them somewhere else? There becomes a lot of logistical and financial issues that arise.

So, you reach out to your insurance carrier. Let's just them The Big Insurance Company and Big Insurance Company might tell you, "Well, um, you know, you don't think Jane Apartments you guys did a good job of abiding by the rules of the policy," or something, it now starts to become, "We don't think this is an insured event." Or "It costs maybe one million Dollars to fix this building but we're only going to give you 300,000 or 500,000." Then you're like, "Oh, my gosh, what do I do!" And then the next thing, the first of the month is rolling around and, you know, the bank says, "Hey, we want our monthly nut." And now issues arise.

So we step in and assist Jane Doe Apartments to continue Operation. Jane Doe apartments starts their lawsuit against the insurance company to recoup the money that they need. And we've now created that buffer where they can continue to operate, stay in business, not have to do a capital call. And keep that apartment complex up and running. So, God forbid, they don't have to fall into for possible foreclosure and stuff like that. And then by us adding that time and the assistance, usually we've seen it nine times out of 10, some type of agreement is able to come out between apartment owner/syndicator and insurance carrier.

[00:05:56] WS: Nice. Okay, that's a great example. I was thinking about it, so you all are gonna help fund that financial loss on a monthly basis as well, so we can keep operating right? And then you're gonna help fund, I guess – maybe hire a lawyer so I can do something. You know, at least show the insurance company I'm serious here. You know, we did follow the rules or at least try to fight that a little bit.

[00:06:19] RE: Exactly. Because the stress. So, forget about the mental stress of now, you know, "Hey, what am I gonna do to kind of take care of everybody now, including my investors, but my tenants," and so forth. "Where am I gonna do to come up with this revenue that I've lost now?" A burnt down building – there's not really much you can do with that.

So, we can understand the issues, try to sympathize with our clients, and we come in there and we want to help him out. And it's been our experience, you know, some large litigates or insurance companies, try to use time as a weapon against real estate owners or just plaintiffs because, you know, time is becoming your enemy because every month that's going by your losing more and more money. Then you come to this realization, "Well, you know, I'm in a really tight spot. Do I take what they're putting on the table now? Which is a substantial difference than what I really need to get me back, or what do I do?" So, we kind of just assist and at the end of the day, the plaintiff and their lawyer, they are the captains of the ship. I mean, they decide, "Hey is this a fair number to settle at or not? Or do we want to go to trial?" You know, once we cut the chat, we become kind of your biggest cheerleader on the sideline, cheering you on to success. But we don't take any hands-on approach. It's your case and you and your counsellor need to make whatever you think is the appropriate decision.

[00:07:58] WS: Sure, sure. So, how do home-owners find somebody like yourself? If we're in that situation? How do I know about your top of business?

[00:08:05] RE: I mean, litigation finance is such a small you know – there's not, I would say hundreds of us. We're a small group. Of course, a shameless plug, but hey, TownCenter Partners they can always find us here in Northern Virginia, and we fund nationwide. Hey, you could do a Google search. You could talk to your attorney, say "Hey, I'm in this tough situation, you know? Do you know of any litigation funders?" And you know, just do your due diligence. We take things as you know, we're not gonna force you into anything. We try to be as open-door policy with our clients and say, "Look, this is an expensive type of funding. If you have other options, take them. Can you borrow from friends or family or you can get a bank loan."

[00:09:03] WS: It keeps you from going bankrupt or having to call investors and say, "There's been a fire and also I need a check," right?

[00:09:07] RE: Right. Yes. And if you really think about it, someone is coming in and saying, "Listen, you're in a very – let's just call it a bad situation." And we don't point fingers at anyone or anything and we want to get you across this finish line. And if things go as we hope it will go, there is a cost for doing that and then you will repay us for that.

But you know what? If things don't go as we planned, no harm, no foul. We took on that financial loss while you the client would have had to take that financial loss on top of the loss of something being burnt down or whatever. But we try to help our clients as much possible. If you look at our tagline, "Our mission is justice." So, we're really trying to help. Folks just don't have that adequate financial firepower to get across that finish line.

[00:10:10] WS: You're going to feel like they're in the right, or else you're not gonna partner with him anyway, I would imagine.

[00:10:14] RE: Yeah. I mean, our goal is – 99.999% of our cases have always been small plaintiff versus Fortune 500, large insurance company, or some city or county that truly has done someone unjust or unfair for some reason. And we're gonna come in here and level the playing field and then let both parties go at it. The client's in control, they need to make a decision. Is this number fair? Is this type of action that the city or county is now gonna let me do, is that fair? And they make that decision.

So I mean, if you think about it, we're giving the client best of all choices. You know, we're almost like a partner coming in. But we're not really a partner. We're kind of just funding you and then letting you decide your future and how you want to take it forward from there.

[00:11:16] WS: Nice. What's the most common real estate issues that you're dealing with? Especially with large apartment communities. Is it mostly insurance? Is it mostly partners not getting along? What's the most common thing?

[00:11:28] RE: I would say, number one and number two. Number one is insurance companies just not being up front or trying to do the right thing with apartment owners. And predominantly, these are small apartment ownership groups. They don't have your thousands of units under their belts and so forth. That's where we've seen some insurance companies do really some we would say, not ethical items and just try to release – stick it to those apartment owners.

The other thing we've seen is a lot of either breach of contract issues. A prime example where we've done a couple scenarios, is let's say John Doe contracts to buy an apartment complex. John Doe's has this good contract, it's at a good price. But then a big apartment owner comes

and talks to the seller saying, “Listen, I know you're trying to sell this deal to John Doe for 10 million dollars, why don't you call him or her on the technical default? And I'll wink-wink buy the deal for you for 11 and a half million?” So, you're going to put another one and a half million Dollars in your pocket, and you know the seller might wrestle with that. Be like “Then, do I really want to give up one and a half million?” Or the right thing with what I should do is say, “I've got a contract with these folks, sell it and move on. Since I agreed.”

So, we've stepped in and funded those situations. I mean, at the end of the day what I tell people is, just because this is a publicly traded company or a massive company, don't think bad things are not done by companies of that size. Because at the end of the day, they're run by people. Greed sometimes makes people do not the most righteous things. And, you know, if they can maybe pull one over on a smaller company, or some smaller individuals – we have seen that unfortunately happen. And that's kind of where we like to step in and say, “Pump the brakes, we're gonna come in here and let's see how we can help you.” And then either we can try close this transaction or try to get you some type of reimbursement. Either from the seller and/or that third party that came in and kind of messed up your deal.

[00:14:05] WS: What kind of, I guess, since you see so many of these cases, and unfortunately, it's always somebody that's in a hard spot, right? I mean they're in a hard spot financially. Probably if they want to go after this or make it right. And then also, it's gonna be very stressful. All those things, there's so much happening!

So what are some ways – if that unfortunately happens to us that, we need to be documenting stuff, or we need to be taking photos, or we need to be – what are some of the ways that would help us be more prepared in that situation? Even, when we come to somebody like yourself, to say, “Here,” you know, “This is what we've got. It's obvious that we're in the right and we need to be able to do something about it.” What are some suggestions?

[00:14:49] RE: I think you kind of hit the nail on the head. I think the more documentation you can show that, “Hey, there's been email correspondence or there's been some letters.” Now we at TownCenter, while I lead that the team here, we do have a bunch of lawyers, but we don't practice “law” here. We're not a law firm. So, we never can give anyone any legal advice, but we're gonna internally review and see the legal merits. But I would always tell anyone, if

something is turning, you know, either your gut is telling you something is a little bit fishy here or, the seller or the broker that you used to be able to get in touch with very easily, now are starting to not respond to you, or you're now getting denied access to certain things.

You always kind of can see a very quick shift in change. You know, things were all lovey-dovey on Monday, but come Tuesday, Wednesday, who are you and you're not returning my calls? So, there's always some type of shift that happens. And then from our experience, you can see from our experience why the shift happens. Because this third party on Saturday got in cahoots with the seller, and they said, "Okay on Monday I'm gonna call him on this fault, or here's the "scheme" we're gonna start to implement". But I would say always, you know, get in touch with your lawyer. We've worked with some of the best law firms nationwide. You could reach out to us and we could just say, "Hey, go talk to this person."

Again, we're not giving you legal advice, but just that we're someone you could talk to and assist. And we've done that many times. We've had people reach out to us and say, "Listen, we really think you've been done wrong here. Why don't you go talk to a lawyer XYZ? Lawyer XYZ works on a contingency fee, so they're only going to take a percentage if you win this case. So, go talk to them. You don't need us. Save yourself the money unless you really need the funding. But this lawyer, you know, he or she's willing to work for free if they get a percent."

A lot of the clients really appreciate that from us. I mean, our goal is "Hey, listen, if we don't do something today, just good karma and putting it out there, hopefully it comes back to us. And we just helped someone now."

[00:17:31] WS: Right. Well, Roni, I'm thankful that I haven't been in this situation. So what else should I even be asking you? What does the listener need to know? You know, from you right now, so they're prepared for this situation? Or is there anything else that – other than to call you and document everything. Anything else that they need to be aware of?

[00:17:54] RE: I would say, just, you did your due diligence to put this deal onto a contract or to move this forward, keep everything professional, like you said, document things, keep things on track. If something is not going the course of business, take the appropriate actions, talk to your lawyer, do something, because the worst thing is – and it happens sometimes. Sometimes

people come to us like, you know, "I tried to operate on a handshake deal or be upfront and honest with these folks, and now they shafted me." And then we're like, "Okay, stuff happens, and that's not an issue." But now you're working from like, five or six steps behind, because now we've got to be like, "Okay, the court or the judge might say, 'Well, why didn't you take action when you saw this happen? Why did you let this this slide?'"

You've really got to kind of paint a picture for the court or for a jury to understand, "Well I let this kind of slide because I spoke to the seller and he told me 'Don't worry about it,'" and so forth. And it's okay, it's happens. But at the end of the day you subpoena, you get the e-mails and it shows, "Hey, yeah, he's telling him here it's okay. But now he's talking to this other kind. I'm telling him, it's okay. I'm playing on them. Ha ha ha!" But that's why you keep things in a very documented organized fashion because God forbid something goes incorrectly, but you can say, "Hey, what's going on here?" And we hope no one is in a situation where they're getting sued and so forth.

We think sometimes when we step in, it makes people realize, "This might not be the case we kind of want to play around in. They're now in a much stronger financial position." And we've stepped in cases where are, a case has been going on for two or three years. Then we've had defense attorneys reach out to the point of saying, "Hey, what's going on? How come things have changed? You've kind of really picked up the pace against us. You're subpoenaing us," and so on." Because we step in and we're like, "It's no joke. We want to turn up the heat. Let's get this thing going forward. Let's get you whole. Let's put this thing into sixth gear and get moving forward." Because, we want to assist you, so we're not going to kind of do things at a slow pace. We want to give you that financial firepower and let your attorney do what they're good at.

[00:20:36] WS: That's nice. It's just nice to know that somebody like yourself is available if we're in that position. If that unfortunately happens to us. But pivot just a little bit. Roni is you all's business is there a way that you all have recently improved your business or your operations that we could all plot ours?

[00:20:55] RE: I would say, technology is so huge for us. Like for example, we built a lot of software internally ourselves. Every 60 to 90 days, we sit down as a team and say, "Okay what

is out there that could be assisting us?” And it doesn't have to be in the “legal” field or anything like that. I mean, for example, we don't pick up our mail. Our mail comes into a secure offsite facility, it's scanned, then it's e-mailed to each appropriate individual. The same thing, like when we want to mail something out we have a system we use where, you know, we just type up our letter, upload it and boom, it's mail printed, time stamped, date stamped.

So, we're really into tech. I mean, we love technology, our phone system, the internalized systems we use. It's all cloud based, so I would think, you've really got to accept technology, try review your systems.

[00:22:00] WS: Do you all use some kind of like task management system, or a special way to communicate it within the team? Is there a special app? What do you all prefer?

[00:22:11] RE: For example, like the phone system that we use, we'd like to use Dial Pad. We've been with them now from many, many years. And from when they were actually “part” of Google. Yeah, left Google and have now become a massive company. We use that for internal communications and also our own case management system. I can assign attacks to Mark via our own case management system and so forth.

Every day at 9AM, we sit down and have a daily team meeting. So again, we try and make sure everyone is on the same page. And you've really got to sit down and say “Hey, how is my system working right? How is it working wrong? And if we're doing something incorrectly or we're not doing it as best as we can get, how can we do that?” Just like we recognize “Hey, is it the best use of team members time going out getting mail, running to the post office and so forth? No, it's not.” So, we research. So, every day, every quarter, we will then say “Okay here are the kind of the things we want to research. And is there something out there that can take care of that for us?”

[00:23:34] WS: Nice. What's the one thing that's contributed to your success, Roni?

[00:23:36] RE: Teamwork. Sometimes, folks are a little bit difficult to work with or deal with and just understanding – I think that comes maybe more with age than anything. I would say maybe, a 20 year old Roni would have been quick to make a response. But now you know, people come

in, they're stressed. Something personally could be going wrong with them or hey, they're just a difficult person and that's their way of communicating and just understanding that.

And then defusing things sometimes, maybe with humor. If someone is being a little difficult, one of my kind of little tag lines is saying, "Listen, I'm sorry, I'm not following what you're saying. I took the short bus to school." So, kind of like "Oh, yeah, you know, it's that Florida education. So, assist me to kind of understand what you're saying." I apologize and that sometimes diffuses things to get people to calm down.

[00:24:39] WS: That's a good skill. That's definitely a good skill. But yeah, before we have to go tell the listeners how you like to give back.

[00:24:46] RE: We as a company, when we were formed, we kind of give back in three ways. Way number one, we have a scholarship program for law students that are about to finish law school, and they're gonna take something called the Bar. We'll pay for that. And then the two other programs that we love to work with, and we donate a portion of our profits to you is, Hands Along the Nile and Orphans Africa. This is kind of helping a lot of orphanage children, and kind of folks that just need assistance, with bare necessities and so forth.

We as a team, we truly believe it's very important to give back and assist, and you kind of reap what you sow. And we all started from somewhere and grew, and it's very important to help people. And we try as a team really to focus on that.

[00:25:43] WS: Thanks for sharing that Roni. I really appreciate your time being on the show, and you're someone that we hope we don't have to contact, I know, but we're going to be very thankful for if we do need to. So, thank you again for just explaining just what you do and how you can help us if we are in that situation.

But tell the listeners how they can get in touch with you.

[00:26:02] RE: Sure thing. Email address. It's roni@yourtcp.com. The website is TownCenter Partners or yourtcp.com, and we're located in Northern Virginia. My office line is 7035705264. If we can ever be of service to assist in any way, it would be an honor and a pleasure.

[00:26:28] WS: Awesome. Roni, thank you again very much. Appreciate your time. Appreciate the listeners being with us today and every day. I hope you'll go to Lifebridge Capital and connect with me. Sign up on the website so we can have a conversation and I'll help you any way I can. Then go to The Real Estate Syndication Show on Facebook as well. So we can all learn from experts like Roni, grow our businesses together and hopefully not be sued or have to sue anybody!

Anyway, see you all, talk to you tomorrow. Thank you, Roni.

[00:26:55] RE: Thank you.

[END OF INTERVIEW]

[00:26:56] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge Capital works with investors nationwide to invest in real estate, while also donating 50% of its profits to assist parents who are committing to adoption. Lifebridge Capital, making a difference one investor and one child at a time. Connect online at www.lifebridgecapital.com for free material and videos to further your success.

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