

EPISODE 686**[INTRODUCTION]**

[0:00:00.0] 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]

[0:00:24.4] WS: This is your daily real estate syndication show. I'm your host Whitney Sewell. Today, our guest is Mason Moreland, thanks for being on the show Mason.

[0:00:32.7] MM: Hey, thanks for having me Whitney. Pleasure to be here.

[0:00:34.6] WS: Mason is a finance partner at Texas Vine Country. Operator of Canted County Vineyards and Lamesa Texas. He started out investing in residential real estate and used lessons learned there to tenaciously underwrite every business he came across as a deal using this superpower to find untapped niches and people to make an impossible project a reality. It's interesting how you say untapped niches and people. To hopefully get into that.

Texas Vine Country has expanded County Vineyard's footprint by 483% in 2020, making it one of the largest vineyards in Texas. And Texas is big.

[0:01:13.7] MM: Texas is big, it's awfully big.

[0:01:17.9] WS: The most advanced custom wine making facility in the state. FermForge in the summer of 2021. Mason, thank you for your time, I welcome you on the show, grateful to have you. Why don't you give us a little more about Texas vine country and what this is and vineyards, I mean we haven't had too many people talk about vineyards before and why we should even

know about that or that's even a thing to invest in. And maybe you know, what FermForge is a little bit. What you all are up to.

[0:01:43.4] MM: Sure, yeah, absolutely. I think the only one I remember offhand is maybe Brian Silvieira down there in central valley. He does some really cool stuff too but yeah, Texas Vine Country, we're basically a partnership of folks that have all our own individual superpowers, right? The partnership is the original syndication, you go out, find people that have the talent that you don't have. Or the resources that you don't have and you come together to make what you can't do individually happen.

It's sort of a combination of a lot of, maybe not fortuitous — but events that were meant to happen the last three or four years. I remember the very start of it was, I was sitting in my bed with my wife just hanging out one day. This was either right before or right after I had my first kid. We were watching some movies and we started watching some wine movies. I thought you know, that is really cool, those people just hang out on their estate in France. "That looks like the life, that's what I should do," you know?

Texas has tons of land, it's fairly cheap and it went from there. I had a buddy that's been working with — they're both partners now who is vineyard manager and I called them and I said, "Hey, I'm really interested in this vineyard thing. Can you teach me some more about it, give me some numbers because you know, I do real estate, we've got single family homes, multi-family properties, this is something that I like to analyze?" So, he got me a bunch of numbers and kind of explained how it worked and I'm somewhat familiar with agriculture — I'm a wildlife biologist by trade. But just like I do with everything I do, I built a model and started trying to figure out, "How does this work?"

And I got to the end of that first model and I dialled up my buddy, and I said, "You are crazy, no one would do this, this is insane, you're either going to lose everything or you're going to make a lot of money but it's not a whole lot of margin for error there." And we started looking into the 'why,' why is it crazy. Where are the holes in this model that make it dangerous, what are the risks, how do we plug those risks? We need to find that.

We got to where we are now because we found those people, we found the talent and we found the resources.

[0:03:38.1] WS: Nice, you know, when you say making a model, what does that mean?

[0:03:43.7] MM: Really, just underwriting, right? What everybody calls it when you're going to finance. But, you look at each step in the process, if you're going to do something that maybe your audience is more familiar with, if you have a multi-family property that's either off market or on the MLS and they have some sort of proforma telling you what the numbers are. What the income is, it's the same exact thing. You build the life cycle of that business. I do it in Excel or Google Sheets and you find where those risks are by playing with your variables.

That's what I've done for — forever. You know, I love getting in there, starting from scratch and building an organism, you know? In excel and figuring out where the holes are.

[0:04:19.3] WS: That's so interesting, I'm thankful that there are people like you that enjoy that, you know?

[0:04:24.6] MM: There's not a lot, you know? It must be genetic. My dad, he's a CPA, I don't know if he enjoys spreadsheets. But man, is he good at them. That kind of rubbed off on me, maybe I got the enjoyment of it.

[0:04:35.1] WS: Yeah, I've heard so many times, even this business, you know, to really learn underwriting. Like build your own model so you can see where things are coming from or 'how do we get this calculation.' You are going to know then, that it took from this over here, and it took from that — or how that was calculated. But that was so tedious for us, you know?

We were trying to do that and then it makes me nervous, well, especially in Excel, where I've messed up this one thing while, do I know it still works? And so just not my specialty. Thankfully we do have somebody on our team that's extremely talented in that area. I guess, walk us through that just a little bit. I love how you said, you know, look at each step in the process and then you just build the lifecycle of that project. Makes it sound so easy, right?

[0:05:12.6] MM: Sounds way easier, right?

[0:05:18.4] WS: Right. I know that even in 20 minutes, we can't unfold all of this but let's dive into that a little bit and how you do that and what you're looking at, you're trying to build that sheet or build that model to figure this out. Because it's not like you're just doing multi-family time and time again. You're doing this for different businesses, different projects as well, right?

[0:05:36.9] MM: Yeah, absolutely. The first thing I start out with is I literally pull up a blank spreadsheet and I just do a brainstorm, you know? Even a notepad. You got to think about the main things, right? You got to think about where's your income coming from? What's the timing of the income? How does the income change year over year, month over month? What's the variability in it? What are the risks there? Financing is huge, right?

What structure are you going to use, especially with really big in agricultural pursuits too, because you can tie financing to cash. You can tie financing to land and tie financing to receivables. But the main parts are to take that — where is the income coming from? How are you servicing debt if you have it or any operating costs? I like to put them out on a timeline first and the deal out from there.

[0:06:19.7] WS: Okay. Income, listed out numerous things you have to take into account there and obviously the debt and financing. What else are you looking at, you know, if you're thinking of vineyard versus multi-family or some other type of completely different project — but there's obviously lots of different variables there for each one of those. How do you even find those things, those variables or those risks or those things that you need to account for when it's maybe a project you're not as familiar with?

If we're doing multi-family every day, well, then, we understand most of the risks the majority of the time. I wouldn't ever say all the time but a majority of the time, we know we need to account for. But you know, if you were to give me a vineyard right now and say, you know, "Underwrite this," I'd be calling you, for sure. Where do you even go to figure out the risks that you need to account for?

[0:07:04.9] MM: That's a great question because that was the first brick wall that we hit, right? I need to figure out where your risks are, you know, obviously you can take from the other experience and other industries and think of those risks but really, they don't necessarily translate very well like you're saying.

The first step is to see if somebody else has built a model out there, right? If you can find somebody else that's analyzed a similar deal and is willing to share that information with you, that is an incredible resource. Because first off, you can see, "Okay, what do they see as risks in this business." A, right? B, build your own model based off of whatever you can find and whatever information you can bring.

Once you build your own model, you'll start to see by just playing with different variables, going up and down, you're going to see what moves them the most, on the margins particularly, the timing of your revenue and things like that. And then three, I think the most important is you got to go find people with that superpower you're missing. And for us, that was a couple of different people but particularly Rusty and Dustin on our team.

They are both entrepreneurs and they are deeply involved in the grape business in Texas so they know offhand, "What equipment do I need," you know? The cost, they can have somebody on the cellphone, right then, and figure out what's the cost for t-post if I order 40 truck loads of t-post. That kind of thing. You can't just get it if you're not in the industry, right? You got to go find those people with that superpower, that talent, those resources.

[0:08:24.8] WS: Yeah, you reverted a syndicating talent, I love that. Why don't you elaborate on that a little more while we're on that and I'd love to come back to just the model stuff. Syndicating talent, was this something that y'all's team finally learned one day, I said, we got to find somebody that knows how to do this, you just hit a rock wall or was it just a matter of growing that you knew you had to happen.

[0:08:44.1] MM: It definitely is a slow thing, right? You do it kind of step the first time until you have some retrospective where you can see, like, "Where did we mess up the first." But when you do it the first time, usually for a brand new business, it's usually a step-by-step. For me, it was more like, "Hey, I'm interested in this business, let me find more information on numbers,"

particularly, like, income seasonality, you know. What are the mechanics of it? Just learn a little bit more about it. If you want to look into a coin operated laundry, you go find somebody that — does fluctuate by season, what are the variables I need to look at?

Once you find that first question, I had no idea how to proceed, that's when you pick up the phone. You gotta start calling people, you gotta start talking to people. One of my favorite things is just trying to find somebody new, that's not doing what you're doing but maybe tangentially related. Just having a conversation because you never know where you're going to bring value or they're going to bring value to you.

Like you said, the syndicating talent is huge and that's how I found it for this project is, it started with my friend and I knew it was in the industry, met a new connection through him, just got as much information, and gave as much value as I could give to that connection and that's when we found you know, the Texas wine industry in particular. There's a big gap right now where everybody in it, not everybody, but a lot of folks — it's very passion-driven, like how I started, you know? "Man, that seems really cool, you want to go do this?" And they just do it.

That's the way a lot of great businesses are started. If you want to succeed at something like we're doing where it's at scale, it's mechanized, it's just huge. You really got to bring the missing parts all together, you can't have good business sense and no talent to grow grapes, you can't have poor business sense and amazing talent and a vineyard, you got to bring all the things together, I think that's what we've done in our business.

[0:10:28.8] WS: I think a lot of our businesses could relate to that and what you just said there is like, the person who is the expert at growing the grapes, they're not necessarily the person that understands all the numbers or —

[0:10:39.1] MM: They may know, like I was saying, how much a truck load of t-post cost but how do you amortize that? How are you fund it in the most efficient way?

[0:10:44.2] WS: Yeah or just operate a business. Back end of a business, which is so important, you know, I think a lot of people underestimate just the time it takes. And the importance of that

and just what it takes to make that happen as well and again, that may not be the same person, that understands how to make that crop produce its best.

Anything else about syndicating talent, I wanted to go back to some model stuff but you know, I just want to give you the opportunity though because it's so important and I think it's so interesting that you highlighted that as far as how you all have syndicated talent.

[0:11:15.9] MM: One of the things you always ask is what's something that you've done to improve your business that somebody else can do and implement in their business? That, for me, right now is really looking at myself, in my team, and getting everybody together on our team to look at themselves in the last two or three years and say, "What holes do we have? What holes do we have going forward? Where are we weakest?" And really just aggressively going out and talking to new people so that we can try to address those weaknesses.

Even if you think it's okay, okay is not going to cut it if you want to survive and really dominate in an industry or a niche. So that's what we're doing right now. That goes back to the syndicating talent, you have to constantly be reassessing yourself and your team and getting everybody on board to look at themselves to find those weaknesses.

[0:12:01.7] WS: I appreciate you bringing that up. I'm reading a lot right now just about business and structure and teams and core values, all those things, you know? That others want to have in place. I think it's interesting you mentioned, you know, getting the whole team to look for holes and weaknesses because the other people in the team are going to see things that you don't even know were there.

[0:12:19.4] MM: Right, sometimes, like, a weakness isn't necessarily weakness. It's just a burden, right? You can have somebody that's doing five different jobs and they're exceptional in all of them but why not have them do the two things that they're exceptional at and go find two other people that they're most exceptional qualities are doing those other three things.

You end up being a lot more efficient, even though there's more people, that's the only way out.

[0:12:43.2] WS: You're creating these models, is there any resource that you recommend to just learn Excel, I know I'm still so inefficient at using excel but I've had to learn, right? I've had to learn some different things but I know, if I had had some training or something in the beginning, I think it would have just pushed me ahead leaps and bounds. Is there anything that you recommend or is there any way to do that?

[0:13:03.1] MM: I will preface this by saying that I have a distinct advantage at this with the resource of my dad. I was telling you before the show, you know he is a CPA and the guy was using computers and spreadsheets when everybody else was still using paper to do modeling. So I have that but it is not always available. YouTube is really incredible, you know with the things you can find on YouTube as far as explaining how to structure formulas, how to fix things that aren't working for you.

Because there are so many little tiny things like payment functions. Like if you are going to calculate a payment the next fall, the most basic things you can do in real estate underwriting, that thing can give you a million different bucks if you just do one little thing wrong or something is wrong in another table that you're referencing. So YouTube is an incredible source for that. Just crowdsourcing that information.

[0:13:48.9] WS: Any Excel tips that you know when to need to know about?

[0:13:53.0] MM: Gosh, keep it simple. The fewer different spreadsheets and sheets that you can have the better. I've done models that have literally 15 or 20 sheets in them. And they take you five minutes to load them on a computer. And if you open another one they crash. It's not the way to go. Quantity does not mean quality. Keep it simple, especially when you are first doing it. Don't get too complex. Once you get it working and you feel very confident that you have an environment that is functioning. Everything is relating really well, then you can get a little more intricate and do some cash flow planning and things like that on a week to week or a monthly or daily basis.

[0:14:29.6] WS: What are some things that you are going to look for maybe when you are reviewing somebody else's deal or model? Since you understand the model so well and building

models, what is going to be the first few things you're going to go to, to say, "Hey, did they do this right?" or to see maybe even if it is a good investment?

[0:14:45.8] MM: So there are a couple of things from an actual modeling standpoint. I'm going to look at, does it function correctly? Like is the actual math working behind it, that actually lies underneath it. If you have somebody that is good at that, I would definitely recommend giving that to somebody else to look at. Does everything blend together well, is it coded well? But I think more important than that is to go back to the syndicating talent. Find the people in that new business model. And get multiple people to look at the numbers that are the primary assumptions in it. So whether it is revenue projections or cost of items, vet that yourself. Go find workloads, go find more people that can tell you, "Is that accurate?" You can't chew that up enough.

[0:15:29.7] WS: Yeah, so finding other people that are maybe more qualified but then also, you know looking you mentioned like the primary assumptions and what those are and I can imagine like we're talking about in a vineyard business, I don't have a clue what the assumptions should be. So I would have to reach out to somebody to even understand what that is even if I knew what the assumptions like where they're at on the sheet. I would know if they are legitimate or not or if they are extreme.

[0:15:52.9] MM: Yeah, it is the same as anything else. You know, if you are going to do a BER project you are not going to go buying a house before you've built a model of what is my actual cash flow going to look like and you can't do that unless you have a finance partner that you talk to that is willing to do the project and you know the LTD and things like that. It is the same thing with any business. You got to know those key factors and have them really dialed in before you get to say, "Hey, this is something I want to go ahead and jump in on" at least for me.

[0:16:19.7] WS: What has been the hardest part of this syndication process or journey in real estate for you Mason?

[0:16:24.4] MM: Definitely investors. That's difficult. You know, I learned the hard way that the lesson that most syndicators and most real estate investors do learn when they deal with capital investors is you don't want to chase a particular fish too long, right? So we had gone through

that process where we had somebody else who was onboard for an equity investment and we chased that rabbit so long that all of a sudden it became a lot harder to execute our plan.

So that can go down the rabbit hole, investors are difficult to deal with but, you know, as far as plans and dealing with partners things like that, I find that a lot easier to deal with than investors.

[0:16:59.1] WS: How did you overcome the investor piece?

[0:17:01.0] MM: We overcame that by getting really creative. So we continued down that way, we remodeled the business every way you could think of. Our original model was to go out and we were going to purchase a half-section land and do the project, right? Well that involved a whole lot of capital. What we instead pivoted over to was, how can we find someone that has that as a capital resource? So they have land but maybe they don't have the additional cash equity.

The additional talent, the additional whatever it is in business, stuff to make this project happen but has the desire. And that is what we ended up finding. We have partners, fantastic partners, they already have some experience in the grape industry, obviously because we grew the vineyard quite a bit. They already had some existing acres. So they knew what to expect and a lot of times that is the best place to look for a partner is within the industry you're looking at. Find somebody that is willing to have an open mind and learn and grow.

[0:17:56.6] WS: What does a downturn look like for a vineyard and how do you prepare for it?

[0:18:01.2] MM: A downturn in a vineyard looks like an early freeze, which most of the state had this year. So 2020 has been crazy, I mean we were talking to one of our bankers the other day and he looks at us and says, "I am still impressed that y'all got this in." I came to my desk every morning with 20 everything going on in 2020 and just expecting an email like, "Yeah everything burned down today." It was — nothing was right. You know, it looks like an early freeze.

It looks like hot temperatures in a drought all at once and that's what we had this year. We've had the lowest reduction that pretty much anyone can remember in the state, which is still fairly young industry but the good thing about the industry is, like most commodities, if it is localized

like the Texas grape industry is, whenever there is a decline in the product, there is also a sharp increase in the price of the commodity, right? So it tends to help level itself out but there is an issue with vineyards.

When they are young they don't produce anything. They don't produce anything and up measure until year five on the ground. You've got this big cash burn. So you really have to balance your growth with your existing cash flows very carefully so that you can weather things like that.

[0:19:02.0] WS: Interesting, yeah five years. You got to have a lot of faith in that operator, right?

[0:19:06.5] MM: Yeah that's what keeps, I think, a lot of investors out of the vineyard business. The beauty of it is once you get past that point, the inputs are so minimal that your margins are excellent. It's really you need to find those people that are so skilled in operating the vineyard and getting it stood up that you know it is going to produce and then you need to find the partners to be able to provide the capital to sustain it up until that point or to have the cash flow to get it to there.

[0:19:29.7] WS: What's another way you all have improved your business that we could apply to ours that we haven't talked about?

[0:19:34.2] MM: I've been reading some more books lately and I finally got around to reading *4-Hour Workweek*, which apparently — it's like *Rich Dad Poor Dad* and I didn't know that everybody else has read this book. But it's right there behind you. That's one big thing that I have learned from there is really systematizing things. There are a lot of us in the business, we try to do everything and continuing on that theme of what can I bring, what can I fairly bring to this new niche is things from the real estate world, from the business world.

I think some of Tim Ferriss's strategy is really good as far as trying to outsource the little things to VAs and things like that. I know you take advantage of some VAs, it sounded like, and that is the thing I really want to go forward with various things, just to take some things off people's plate so that we can focus on the important and then the strategic things.

[0:20:21.6] WS: Nice, yeah so important. When you can start thinking about hiring that VA or that somebody that can take those things off your plate, what is your best source for meeting new investors now?

[0:20:30.0] MM: Definitely individuals, I mean the more people you can talk to and reach out to, it's going to open doors and I haven't found another way to do it better than that so far. I am still really interested in syndication and I want to get into that space. I want to get us into that space where we can continue to grow through syndication, especially through a web portal but good old fashion now — not so much shaking hands but going out there and just talking to people and making phone calls.

Just cold calling people and saying, "Hey, I saw your stuff and I want to see how I can provide some value to you. Here is who I am. Tell me about you." I made that call the other day and that was great. Some of you might want to look into Collie Francine over at Helical Outpost in Louisiana. I just came across some stuff and I'm like, this is really interesting. He does like a pop-up greenhouse hydroponic deal. It is very interesting and I learned a lot. That I hope, one day, I can provide some good value in that, maybe. But doing stuff like that that is how you meet those people that are going to be critical to your teams that you build later in maintaining relationships like that.

[0:21:31.6] WS: What is the number one thing that's contributed to your success?

[0:21:34.0] MM: Tenacity. Like I've said, just tenaciously underwriting everything that comes across my path. One of the big things that people I think fail in real estate or any business is they either never take action or you get to something hard and you suddenly get this negativity about it and you give up. You cannot try, you can't give up otherwise you are never going to do it. That's all I got on that. Every time I hit a brick wall, I start looking out.

There is a way around it. How can I smash through this thing hulk-style? And I've always found a way around the brick wall and we're here today.

[0:22:09.8] WS: Awesome, yeah you can't give up one thing. You got to find a way around the brick wall or how to go through at one, right? So how do you like to give back?

[0:22:17.7] MM: My favorite way to give back is definitely through the church. My family and I are Catholic. I've just started getting involved in Knights of Columbus. We stay really in touch with folks that are in need in the local community. So my favorite way to give back is definitely locally, like if they can find something like a Christmas in Action. It is usually in the early summer, late spring then your community should do it. It is a program where you go out and you help somebody typically elderly.

They don't have the funds to help keep their house up and just contribute whatever you can. You don't have to be particularly skilled. I have done some contracting work so I could do almost everything. But I love to go out there and swing a hammer and help somebody out because seeing that look on their face when they realize they just got another 10 years on their home is incredible. That is incredible.

[0:22:59.3] WS: Nice, well Mason, I appreciate you giving back in that way and just grateful for your time today and thinking through these models. I mean building a model, it can seem so overwhelming. I will look at some other people's models especially when they're first getting started and it's like, "Oh man, you know for me to build something like this, where do you even begin?" and so I am grateful for guys like you that have that skill and really you're just taking a stir.

To see if someone else has a model and build your own model and then find people that have superpowers that you are missing. I think that is such a crucial thing that you really told us about today that I know has helped our team tremendously as well. But how can the listeners get in touch with you and learn more about you?

[0:23:37.6] MM: You can learn more about our business right now, the only web presence we're running is FermForge. That is fermforge.com, that is for our custom crush, which is like a custom winemaking and grape processing facility. They could reach out to me at my personal email. It's mason@fermforge.com. I'm happy to answer any questions or make connections, things like that. So if there is ever any value I can add to you and your business I am happy to help.

[END OF INTERVIEW]

[0:24:00.8] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

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