

**EPISODE 940**

[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 Whitney Sewell:** This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Michael Flight. Thanks for being on the show, Michael.

**0:00:33.2 Michael FLight:** Thank you for inviting me, Whitney. I really appreciate you being here and talking to you...

**0:00:37.2 WS:** Yeah, I look forward to this conversation. Pleasure to meet you, I've seen you over all over the internet as well, and grateful to have a conversation. Michael is a founding principal of Concordia Realty Corporation in 1990, and more recently, CEO of the Liberty Real Estate Fund LLC, the world's first netley security token fund. Michael is a real estate entrepreneur and security token evangelist, who is an expert in shopping centers and net lease commercial real estate investment in real estate on the blockchain.

Michael has been elected to public service and also serves on the real estate investment advisory boards of two non-profits as a founding board member for freedom of life, a Romanian NGO, helping women achieve liberty and build new lives while recovering from human trafficking. That's incredible. Thanks for serving in that way, Michael. We had another guest just recently mentioned, they are supporting a non-profit that helps in human trafficking,

and it is definitely a cause.

We talked about it in our show that it's not talked about enough. It's something that's happening in such a big scale and we're just kind of blind to it, it seems. And, so I appreciate you giving back in that way. Why don't you give us just a couple of minute overview of what you've been up to since 1990? And I wanna get up to today and just the... obviously the security token fund and some of that stuff, 'cause I know that is new stuff to our listeners, so I wanna hear about what you're doing in that space.

**0:02:05.7 MF:** Yeah, well, starting in 1990, we founded Concordia Realty and we primarily specialized in shopping centers and shopping center redevelopment, and with that those properties are triple net properties. Through the years we've partnered with many institutional investors, including insurance companies, publicly traded real estate, investment trust, hedge funds, and a number of private equity groups.

So what we were doing...what I like to describe is initially we were flipping houses on a giant scale. So in step, we would buy a rundown property, including something as big as a 900,000 square foot mall, empty it out, retenant it, do all sorts of things and build something new. So that was our model. We are heavy value add. And then we started buying portfolios of net lease properties. And through that, I could see the, I guess the way the industry was moving from interior-enclosed malls to strip centers to...

A lot of tenants want a free standing, triple net lease building because it gives them a huge brand, huge impact and they get more control over their building versus being in the middle of a shopping center. So that's kind of my background. I've been doing it for years and years and years, and I like to tell people that I probably haven't had every problem go wrong, but I've had a lot of them go wrong, so I'm not gonna panic when something does go bad...

**0:03:31.6 WS:** No, that's a key to success right there and not panicking when something does go wrong, expecting things are gonna go wrong, right? Now though, you have been a security token evangelist. I wanna jump into that, and I want you to be able to explain a little bit about

what is that? I think a lot of people have probably not heard of that before, or you've started a fund around this as well, and so I wanna hear about that - what that is, what this means for your real estate deals.

**0:03:59.0 MF:** Well, evangelist means bringing in the good news, and what we're trying to do is bring the good news of security tokens. And so security tokens are like for example, our fund, to best describe it, it's a Regulation D- 506 C fund. So security tokens are regulated securities, and they're regulated in the exact same way that a normal syndication will be regulated with the extra option that the token itself rides on the blockchain, which is the same financial rails that cryptocurrencies ride on.

So what's really cool is the SEC has pretty much put together some rules about investing in these, and as long as it's a regulated security token, it's for accredited investors. But after a one year lock up period for US investors, those accredited investors can then trade that to any investor and not necessarily an accredited investor. So it is a combination of syndication, crowdfunding, and for lack of a better word, cryptocurrency, but it's definitely not cryptocurrency.

**0:05:06.5 WS:** So, it's not cryptocurrency. What's the difference there?

**0:05:10.2 MF:** Cryptocurrency is unregulated, and a lot of cryptocurrency, some of them are store value, some of them are meant to be money, so you can transfer value back and forth, and some of them like Ethereum is kind of a money, but kind of a giant software project, so a lot of the crypto-currencies were just a way to raise money for software projects versus security tokens, which are based on assets. So you can do a security token on equity, you can do a security token on debt. We've had people...

Because we run a meet-up called the Chicago Blockchain real estate Collective... And we've guys on there that are tokenizing a whiskey fund. So it's really cool. They're doing it exactly the same way that you would do in normal syndication, but they're tokenizing the Whiskey for selling it in five years, 'cause the value the whiskey increases as it ages. So there's all kinds of

things. We've also had on our meet-up - and this is all online, you can go see it -

Some guys that tokenized a Dominican resort. So it's in the Dominican Island and they tokenized the resort. It was a triple net lease because it was fully leased out to one corporation, but what was really cool about that is it was not available to US investors. But what was really cool about it is that for the non-US investors that invested in this deal, they could actually also qualify for Dominican Republic citizenship. So there's a bunch of things that we really like about security tokens.

The other thing is, is that it's an international phenomenon. Somebody can be in the middle of Austria, somebody can be in the middle of Singapore or Hong Kong, or somewhere else in Asia, and they can invest in prime US real estate. There are deals right now that are out there in London, England. It's really going to open a huge pool of capital. And what we really like is that over the past 30 years, billions of people have come out of abject poverty into the middle class, and they're gonna need a place to invest that.

So as the technology gets better, people are gonna be able to invest in smaller and smaller increments.

**0:07:25.4 WS:** Nice. I wanted to back up to just a little bit about a token. Who has tokens? How do we get tokens? People that are listening to this thing and what... What are they talking about? What is that? Is that the same as a dollar? I mean, it's not. I know it's not, but I'm just saying, you know somebody who's listening who haven't heard of that before.

**0:07:42.4 MF:** Okay, so if your listeners are used to...and I assume they are, because you've done such a good job of educating them on a syndication... The token just represents a share of the syndication. So it'd be like if you and I decided to buy a house to rent out, and let's say it was in Memphis, Tennessee, and we're gonna buy it for 100,000 dollars. You and I decided we're each gonna put in 10,000 dollars, so that's two tokens were 10,000 dollars and we tokenized it at 10,000 a piece so we could have eight other investors investing in that house with us.

So the token is just a share, but the token also, like I said, within it, it's something connected to a blockchain, which is a distributed ledger, and the blockchain, it's connected by a smart contract, so we do our PPM and everything else. We agree on how we're gonna split up the proceeds of the profits and all the rest of it, and that gets coded into the smart contract. So then when the property is rented out and starts paying monthly cash flow, those payments go directly through the smart contract.

So you and I, you could be there in Virginia, I could be here in the Chicago area, and we could have investors over and like Chile or something like that, and they could be receiving their payments and they wouldn't even need to have a US bank or anything like that because their payment could be paid directly to what's called a digital wallet. And so they could just be receiving their money and they're outside the banking system. So it's really super cool.

And then the other thing...And then...I know you've got another question. You could also receive your payments not only in dollars, but you could decide to receive your payments in a stable coin, which is tied to the value of the US dollar, or you could receive your payments in Ethereum.

**0:09:33.8 WS:** Yeah, I've got lots of questions. Will not be enough to get to them all today, but I just... I read a little bit about Blockchain not too long ago. And just so I'm clear, I'm thinking about this correctly, it's like all these computers that can talk right and they're all ensuring that they're all accurate. And it's almost... Or maybe there's some people who claim it's impossible to defraud it because there's so many different systems that are connected that are always ensuring that it's accurate.

**0:10:00.0 WS:** Blockchain is similar to the internet. S the internet was originally designed so that one point of failure couldn't bring down the whole internet. So if one part, let's say a few years ago in the Chicago area, some contractors broke in and busted the main link for AT&T fiber optics, and so I put down the internet, but All that just got routed around. The same thing is the blockchain as a distributed ledger, which is just a giant spreadsheet. And then if you see

that giant spreadsheet, people can make entries into that spreadsheet.

And every time an entry is made into that spreadsheet, all the rest of the nodes throughout the world, they're called nodes or they're basically just computers on the network confirm that. And so once that's confirmed, it's like I've heard it called a flying amber, so... You know how they find amber from the dinosaurs? And there's a little fly in there that's been around for millions of years. So once it's in the Blockchain, that's in there, and you can't go back and re-record it because all the rest of the computers have to have consensus and agree that that is the way it is.

So it's a highly trusted thing because there is no central point of failure. You and I can't go in and change it.

**0:11:25.3 WS:** So... Well, tell me on the syndicator side some benefits of having a fund that's open to tokens. How does that work as far as the operator? Why would you have a fund like that?

**0:11:38.4 MF:** We believe that the future of most syndication, eventually when the cost comes down and the technology keeps getting better and better, most syndicators are gonna wanna do this because it gives their investors extra options. And so we believe that at some point, investors are gonna say, 'I want this. Can you guys do this for me?' So what we were looking for was a better way for investors to have an experience. And so one of the things that I always bring up is my mother invested in a syn...

Well, actually, my father, right before he passed away in 1985, invested in a syndication. And my mother's never been able to get out of that. The thing is still going. It's never made any money and she can't get her money back. So for close to about five years, she's been stuck in a bad syndication with a bad syndicator. This gives the opportunity for liquidity for the investors. But the other great thing is that we believe this is gonna open up world-wide pools of access to capital so that more people are gonna learn about how great US real estate is.

And they're gonna want to invest in the US real estate 'cause it's one of the most stable forms of assets in the world. So we believe that that's gonna open up a new capital raising opportunity. And we really do believe that at some point, it's going to be good for us because we as the syndicator and the managing partner, because of the smart contract takes care of a lot of the distributions and tallies up the pro rata and automatically keeps track of who's in what's called your capitalization table of your equity table, it helps with...

It's gonna streamline processes for doing this type of stuff. So we believe it's gonna make it easier and more efficient to raise capital. It's gonna open up more access to worldwide capital, and it's gonna be easier to maintain and provide a better investor experience for your investors.

**0:13:36.2 WS:** Yeah, and that's what we're all trying to do. How can we do that better? How can we provide that better experience for more investors? Being more liquid would be a major plus, no doubt about it. Investors would love that option, and then being open to worldwide, that's an incredible thought. They don't have to think about creating a US entity or the tax issues and those things. I mean, that's pretty amazing right there. How does someone like yourself learn how to do this? So, you know you're doing it legally, you know you're doing it correctly, to add this to bring a fund like this into the US and part of your own deals.

**0:14:07.5 MF:** Well. I could tell you that I am a pure real estate guy, and so I've had a lot of technology guys who also are in real estate and doing real estate syndication. And the funniest one was when Pancham said to me and he goes, 'I'm amazed that you're doing this.' I'm like, 'What?' I don't know anything about technology, but I learned about it because I had a lot of friends that were doing things in Blockchain, doing things in cryptocurrency.

And through one of the guys that worked for me, we actually met some guys that were doing what's called an ICO which would be illegal in the United States. It's an initial coin offering. And they were doing it for hotels and Airbnb properties and I took a look at their white paper and it was just horrible, and I'm like, These guys don't know anything about real estate. These guys don't know what they're doing, but I think they're onto something here, because I think that if you could do this...

So we went through the long learning process. And it's been two and a half to three years of figuring out you can't do an ICO, you have to do a security token offering, and interviewing, embedding many different service providers because there's also, since it's a new industry, there's a lot of people that say they do the technology part of it, and they actually don't do it, so we've had to vet them out and we've learned a lot along the way.

And as I've told you before, we've also made a lot of mistakes, and it's cost us quite a lot of money to actually figure out how to do it legally, but we're ready... We'll be ready to launch in early April now finally, for the US side of the token, and then later on in May or June for the international side of the token.

**0:15:51.0 WS:** Incredible. Who's the ideal investor for this type of fund?

**0:15:54.4 MF:** I think it would be good for any investor now. Our particular investor is what's called the core plus fund. We invest in only single tenant net lease assets. These assets are some of the most stable, some of the most secure, and some of the best income-producing assets available. They're guaranteed by major corporations, their long-term leases, and the tenants actually pay all the expenses, so you don't have a risk that your expenses, your real estate taxes are gonna go crazy, or the tenant is gonna leave the water on and you're gonna have to pay a water bill. That's all taken care of.

With the triple net lease is, we like to describe them as bonds wrapped in real estate. So I like to explain to investors that if they're investing in one, and I believe you do value add multifamily... Correct?

**0:16:38.4 WS:** That's correct.

**0:16:39.4 MF:** Yeah, so I would liken value add multi-family to a growth stock. They're investing in something. They might not get immediate cash flow, they might have to wait a little bit for their cash flow, and they might have to wait for a pop in their cash flow while you exercise on



your renovation plan and retenanting plan. With this, this is like the bonds of real estate. The cash flow is immediate, the tenant is in their paying rent, and also if you look at the occupancy, historical occupancy, these have been some of the highest historical occupancy out of all asset classes.

So it's a slightly lower return than you would get in a value-add multi-family or something like that. But it is a dependable return. And it's basically if somebody's looking for income and if you were looking at maybe investing in a bond or something, this would be a much better deal for you because you not only get the benefits of real estate, but you also get the benefits...if it's a K-1, so you get the benefit of depreciation, you get the benefit of a tangible asset.

And as I said before, we like to call them bonds wrapped in real estate because they're just such a great thing. And what we're doing is we're making a diversified portfolio so that it's gonna be geographically diversified, industry diversified, and diversified by credit of the tenants. So our ideal investor is somebody that's looking for income, or somebody that's looking to diversify their portfolio a little bit that they don't wanna be loaded up all in one asset class.

**0:18:09.4 WS:** What are the risks that the investor needs to know about when they're looking at a token fund like this?

**0:18:13.7 MF:** The risk are that we could have some issues with the Blockchain or the service provider, which we've vetted and gone with the best type of service provider. But the risks are also the same thing as you would have with any sponsor. So you would wanna underwrite the sponsor. You would wanna know who you're investing with, and you'd wanna make sure that somebody beyond all the glitz and glamour of technology, that the person actually knows how to operate the real estate.

So that would be first and foremost, and as I said before, there are some other risks, but the benefit of the token is that within one year, if things aren't working out, you had the potential to get out of it versus if you are in one of our other shopping center syndications, you might be

stuck with us for a while. And so that could be good or that could be bad, but you might have other life events that you need to do. And one additional thing and then...

I know you're pressed for time. What's really cool is we just did an agreement with a company out of Austin, Texas called Block-fi, and Block-fi not only acts as a bank where you could deposit your tokens in and then collect additional interest on top of those tokens, but you could also get liquidity without selling. So for example, if you're in a typical syndication, it would be hard-pressed to borrow against your syndication share.

With these tokens, you could deposit them with Block-fi and then borrow against the tokens to get some liquidity if you just needed cash right away and thought you could pay it back.

**0:19:45.8 WS:** How does an investor liquify or exit a deal like that if they decide a year or two years in that they decide it's just not what's best for them, and they wanna look for their money?

**0:19:55.3 MF:** There are a number of ways. So you and I, if we decided that I wanted to sell my tokens or trade my tokens, I could approach you and say, 'Whitney, I've got 10,000 dollars, one token or I've got 50,000 dollars, five tokens. And would you be interested? This is what the cash flow is, this is what all the rest of it is.' And so if you say, 'Yes, I'm interested in that.' We agreed that the price was 50,000-55,000, all I have to do is put up the tokens, and all you have to do is put up the money.

And the smart contract automatically allows it to go directly through, so there's no trading fees with that. So it's a really cool thing. You might have to pay a little bit for what they call 'Know-Your-Customer, an anti-monitor laundering basically like doing your credit check. But other than that, that trade goes right through. They could also go to a broker - a securities broker or a broker dealer and list their securities with a broker dealer.

There is also, right now in the US, I think there's close to 25 or 30 of these things called ATS, which is automatic trading systems, and those are regulated trading systems run by securities

brokers, and it's basically like a matching service. For a really crude analogy, it's like the Tinder of security tokens or the Tinder of Digital Assets. It'll put the digital asset up and if somebody else is interested in it, you can match and do that.

And then the next and the best thing is their security token exchanges that are popping up where you'll be actually able to list your security tokens on an exchange and sell them. And some of the other larger crypto exchanges like Coinbase and some of those guys are now working on also selling and being regulated to sell security tokens. So you could list them there and you get some liquidity there. So it opens up a lot of forms of liquidity. I'm not gonna say that these are gonna be crazy, super liquid, but at the other point, it opens up a lot more than you currently have right now and a bunch more options for the investor, like I said.

**0:22:09.2 WS:** Definitely a whole new world I'm gonna have to learn about or learn more about... Barely skimmed the surface. And you brought up all these... All these points, I'm like, 'Okay, it's making more and more sense. I'm gonna have to learn more about this.' But what's the most challenging part of setting up this security token fund and executing something like that?

**0:22:25.2 MF:** The most challenging part for us was to make sure we had the right legal structure, but the actual worst part of it was setting up the fund so that foreign investors and non-US investors could invest in it. What we probably should have done last year was just launch the US fund, and then done a follow on with the non-US fund, which is exactly where we're at right now. But at the time we didn't know what we didn't know.

And so that's been the biggest challenge of it. And then the other thing is just kind of getting up to speed because sometimes people use different terminology for the same thing, so I always say it's what I've learned in real estate, and I guess I've gotten more confident. It's like, I'm never afraid to ask. And so it's like, 'Can you just explain that one more time to me? Or what are you trying to say here?' And it's easier for me now just to say that these technology guys...

'Can you just speak a little bit slower and pretend that I don't speak English.' And also I'm a real estate guy and don't do math, so just try and explain it to you. But I've just finished up an article that I'm gonna publish that kinda goes through the whole process of it. And it's a good introductory. And we also have a report on our website that kinda talks about real estate on the Blockchain and some of the opportunities that... So it's a little bit of a knowledge curve, but I don't think it's insurmountable for anybody.

And I believe by the end of 2021 or 2022, most people will be able to understand the basics of it, just because... It'll start getting more and more commonplace.

**0:24:00.6 WS:** What about preparing for a downturn with a fund or real estate on the blockchain?

**0:24:05.1 MF:** This really shouldn't be affected by any type of downturn. I think the preparing for the downturn is gonna be based completely on the underlying asset. So this is just a different way to hold the shares and receive the income. It's not going to... I can't say that with absolute guarantee, but if you've got a quality asset that's backing... It's basically the same thing. If you've got a quality company backing a stock or bond, or if you've got a quality sponsor with a quality piece of real estate, those are gonna weather the storm.

And I can tell you that 'cause I've been through four downturns now. So, you kinda get an idea as to who knows what they're doing, and what type of properties do well, and what type of properties don't do well. There are certain things that I'm not gonna do all right now. What I really like about net lease properties is they continually, year in, year out, have always weathered the storm, like I say, a little play on my name - they're a 'Flight' quality.

So when everything else is burning down, a lot of the smart money goes, and I shouldn't say dump, but they place their money into net lease properties because it's a great place to hold their money, a great place to preserve their assets and their wealth and generate income

**0:25:21.8 WS:** Knowing that you've been through four down turns, what's your prediction for

the next six to 12 months in the real estate market?

**0:25:27.5 MF:** I'm not gonna predict anything. So really the prediction is, is that everything depends on what the government does, and everything depends on what public perception is. So if public perception... if the government doesn't shut down states anymore, and the government doesn't shut down businesses, and the government kind of allows things to open up and people to make their own decisions about their health, then I think that we're going to have a really successful economy.

The other thing is people's perception of safety. So if people perceive that the vaccines and there's enough people that have covid that they wanna venture out and do normal things... I personally never stopped doing things. I even, in October of last year, went to Dubai for a conference. But people right now, I can see that...I was just on a call last night with some guys, and three of them said, 'Oh yeah, we've got our vaccines now.'

So we're gonna start traveling. So I think that's gonna be very good for the travel industry, the airlines, hotels, restaurants, and everything else, so my prediction is, is that as soon as the news media stops talking about bad news, and we can just actually just ignore the news media and we're gonna have a great future.

**0:26:45.4 WS:** No, that's great advice. I don't know if they were gonna stop talking about bad news, unfortunately though. They're gonna find that one way or the other, or make it up, right.

**0:26:53.3 MF:** Just completely ignore the news media and your life will be happier and you'll be way more productive.

**0:26:58.7 WS:** Agree. Well, Michael, do you have any daily habits that you are disciplined about that have helped you achieve success?

**0:27:04.1 MF:** Every morning I get up. I typically get up around anywhere between 4:20 and 4:45 AM, and it's just a habit. I get the most stuff done at that time, but I do meditation, I do

Bible study, I do prayer. And the biggest thing is, I just thank God for everything that I've got in my life, and just even the simple little pleasures like I'm up here in Chicago in the middle of winter. I thank God for heating the house and a nice warm blanket while I'm doing it.

But gratitude is a major thing, and I don't like to call it giving back, but I do like to say that people should have a purpose. And so that's why I've gotten involved with different non-profits, including the human trafficking, because I think human trafficking is not a harsh enough word for it. It's actually a human slavery, and there shouldn't be any human slavery. So I think that the biggest thing is my morning routine, and then the other thing is being thankful, and then the next thing is having a purpose. My purpose right now is to create worldwide access to high quality real estate investments that generate wealth and create human flourishing.

**0:28:15.5 WS:** I love that answer, and I love it you talking about even human slavery. It definitely is what it is, and it's horrible, horrible, horrible. Grateful for you having that purpose in a big way. A couple more questions quickly though, what's your best source for meeting new investors right now?

**0:28:30.6 MF:** They can come to our website and if they want to, they can download our special real estate on the blockchain report, and that'll put them onto our email list. And when we're ready to launch, we'll be having a webinar, a few webinars, and they will be included on that. It is a 506c offering, which means we have a limit to investors, so we're limited to 2000 US investors.

And one of those investors is the non-US fund. So we can only take on 1999 investors. It's a limited offering and we think it's really exciting, but go to our website, they can also contact me at [hello@LibertyFund.io](mailto:hello@LibertyFund.io). And as I said, I'm really most interested in educating other syndicators about this opportunity, because I think that the more people understand it, the more people are gonna do it, and then the more people will just be used to it, and I'll just be standing. It'll bring cost down.

**0:29:31.0 WS:** What's the number one thing that's contributed to your success?

**0:29:33.8 MF:** Persistence and positive attitude. So I guess that's two. But I am going to say one more thing... Ignorance. I didn't always know what I should have known. And so I just went ahead and did it.

**0:29:46.3 WS:** Yeah, you took action. That's for sure. Well, Michael, it's been a pleasure to have you on the show. Pleasure to meet you finally. I know I've seen you all over the place as well, and pleasure to meet you in person. And why don't you share with the listeners how to get in touch with... You know, you shared about why they get your white paper on your newsletter, you wanna mention that one more time where that is... Or your website.

**0:30:05.6 MF:** Right. The website is LibertyFund.io. It's LibertyFund.io, and at the top, there's a button for the special report, they can also contact me at [hello@LibertyFund.io](mailto:hello@LibertyFund.io), or if they're interested in investing right away, they can go to [investor@LibertyFund.io](mailto:investor@LibertyFund.io).

[END OF INTERVIEW]

[OUTRO]

**0:30:24.8 ANNOUNCER:** Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge 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. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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