

EPISODE 1052**[INTRODUCTION]**

[0:00:01.6] 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]

[0:00:01.5] WS: This is your Daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today our guest is Phil Capron. Thanks for being on the show, Phil.

[0:00:32.1] PC: Hey, Whitney, great to be here with you. Thanks for having me.

[0:00:35.0] WS: Yeah, it is great to have you on the show. I was just telling Phil I met like two years ago at a conference, I remember meeting him, I can't... I believe we have not had him on the show since, and he's been doing some very big things in our business and been very successful, he's a Navy veteran, multi-family investor or active syndicator and CEO of Mission First Capital is dedicated to bring the opportunity to invest in multi-family properties to everyone regardless of income level, and helping support the military and first responder communities by allowing them to invest like high net worth individuals. As there were 400 units purchased. He is a full-time multi-family acquisition specialist. Phil welcome to the show. You have some big things happening right now, and I feel are gonna be just very timely and very popular subject or topic for many of our listeners, and just the way your business has evolved and what you're focused on right now, but I wanna back up a little bit, talk about your... Just you as a syndicator and operator, how you gained the just acquisitions expertise that you have, some of that, and also even before that...

[0:01:36.9] WS: Want to thank you for your service, just very grateful for our men, women who serve our country, and even you serving them, like giving them an opportunity to invest, but tell us a little about your background in syndication and how you gain this expertise...

[0:01:49.9] PC: For sure. And write that. Gotcha on that one, so I appreciate it. And all of our

brothers and sisters in arms. Right, so I got into real estate, as I joked, when we say the regular way, I dropped out of college, he was playing drums in a rock band, was ocean lifeguarding.

[0:02:04.9] WS: I played drums too.

[0:02:06.9] WS: I didn't know that. Okay, there you go, that's awesome. There was another multi-family guy, Tim Kelly, who was a big drummer as well, so maybe it's something in the... that draws us to this industry as well. That's funny.

[0:02:18.4] WS: Almost a thousand shows, and I bet most of our listeners didn't know that about me.

[0:02:21.9] PC: Yeah, I shouldn't. That's awesome, that's awesome. So I was playing poker for a living, which is not what every parent dreams of their child doing in the early 20s, so a conversation was had, are we going back to school to finish your last year, 'cause it's a really close... Or, are we getting a job? What are we doing? I said, Well, if I don't bring home \$100,000 this year playing poker at 23, I'm going to join the military and I want... Just laugh and laugh and Latina. And away I went, I listed in the Navy and tried out for a special ops job called SWAC, which stands for Naval Special Warfare Combatant Craft Crewmen where the guys who take the Navy Seals and other Special Operations forces to and from their missions on the water or... A maritime insurer extract. So that was a very interesting way to spend a few years, I've met some great friends, did some cool stuff, nothing operationally, but it's definitely some cool training and saw some cool things, and it's sort of sowed the seed of work ethic and teamwork that I've applied to my real estate business. So I got out in 2012 after reading the little purple book, and I thought there was something that was real estate thing, and that the way to attack that was to sell my buddies houses and to list their houses when they were transferring away from Norfolk.

[0:03:44.7] PC: Very quickly, and that wasn't where the wealth was being created, so I said, Okay, flipping houses, that must be the way... The typical path, right? I did that and did a couple of dozen flips and then started buying a couple of small rentals and struggled with the toilets and the tenants and all that mess, and then finally saw the light and bought a small multi-family building. And that's when everything changed. So over the last few years, have racked up a little over 400 units as you mentioned, and a couple of JV, several JVS, a couple of syndications, and now we're doing this Regulation A-plus fund thing called Mission First Capital.

[0:04:19.4] WS: Nice, I appreciate just the color that you're paying there, just getting to this, I feel like most people's journeys are in a lot of different directions they didn't expect years ago, and then finally even now, I've never imagined having a real estate business like we do now, not too many years ago. And so it's just incredible the path that often I hear just military folks, and one of them, it's just like really taught me to have that never give up mindset, and it's helped me so much as an entrepreneur, but you joined the military, you came out and you got into real estate, you figured out that scaling was gonna be difficult, flipping, I bought a multi-family unit, things changed, when did you syndicate your first deal after that, how did you learn that process?

[0:04:58.2] PC: So as you mentioned, we met at Rod's bootcamp, love Rod, I'm actually gonna attend his coming up here in a little while, he has them a few times, I hear Michael Blocks, even real estate guys, Akan Gino, Bigger Pocs. There just so much information out there right now, your show, like it's never been as easy as it is right now to utilize drive time university, when you're just going from point A to point B, you can learn about anything in the world. And what I decided is it was gonna be multi-family real estate after buying this first 13 unit building and having the brands come in a few months in, or I said, Hey, this is really cool, so I actually didn't syndicate deal until my fourth... My fourth deal, the early ones were my money and then joint ventures, because what I learned in scaling up is that you needed a few things, you need a big equity, I didn't have... I burned that my first two deals and I was out of money, big net worth, I definitely didn't have that. You need some level of asset management brokerage experience to know what you're getting into on a larger level, and then the construction side, the value add is on the rage, right? And especially in this market, you have to be able to force some appreciation, so the construction side being a flipper gave me an inroads to that, but not quite to the level that you need to really attack a large multi-family project whose budget could run in the millions of dollars.

[0:06:26.7] PC: So my first few deals were networking with folks who rounded out my team and those respects, and then finally I launched my own, and I felt like I was equipped and capable of steering the ship with folks as other GPs, but also as vendors and employees to make sure that our investor equity fiduciary responsibility was there to hit our business plan.

[0:06:51.5] WS: No, it's good. I want us to have enough time to talk about what you're doing now, so I wanna fast-forward just a little bit, and I want to get into this Reg A plus fund model that you're doing now, first, why a fund versus... I know you've done a few syndication now, why the fund versus the individual deal syndication like you, who were doing...

[0:07:10.9] PC: Right, so as I was trying to try to get out there is there's a lot of different types that are required to run a successful syndication, you've got the deal guy, for lack of a better term, and that's a seat that I like to sit in. You've got your asset management folks, you're underwriting folks, your equity razors, your investor relations types, or construction types, and all of them have to sort of play in the same sandbox, and by the time you split up a GP, it can oftentimes get kind of kind of diluted for each individual partner, and I was looking for a way, not only for everyone involved to get a larger, I guess, chunk of the deal, but also for everyone to sort of stay in their lane as they specialized, so as you find a great deal and you syndicate you gotta spin up the SCC attorney, you have to do the investor presentations, you have to hit your list, you might bring in another partner who's stronger with capital raising if you just brought another deal to your group. It's just kind of the reality of it. And all of that takes a lot of time and effort. My thinking with starting Mission First Capital is, if we focus strictly on the capital raising side, the investor relations side, and really providing a fantastic experience for military and veteran investors to come alongside a ride with us, through our projects, they don't have to be concerned about the nuts and bolts of every individual project because we're inside and we're spread across the portfolio of assets, and frankly a portfolio of operators, we're operating some of our own stuff, but we're also partnering with military operators with some experience that bring us great deals, and what we do for them is we provide all of the equity, do the senior debt, all the coordination with the bank insurance, legal network, guarantor ship, and then once we've acquired the asset, high level asset and construction management to assist that boots on the ground deal guy or girl to better do their job and then get on to the next one.

[0:09:16.3] WS: Yeah, I think it's an incredible model and allows you to scale, really your side of the business provide a lot more value for a partnership as well, and even have more opportunity to do more deals, you're working with more operators, so you see more deal flow as opposed to say just feel looking for his own deal... Stay in right here. It's an interesting model. So like a Reg A plus fund. What does that mean exactly? Why A plus versus something else?

[0:09:42.1] PC: Great, yeah, so we're probably talking over the heads of a lot of folks, even though your listeners are sophisticated real estate investor sponsors, syndicators. So Regulation A plus changed in 2012 with the Jobs Act, it used to be fairly arduous, and it's still a little bit of a bear to get launched, but I'll skip right to the greatest hits, as most of your folks know, regulation 56-B, you can invite your non-accredited friends who are sophisticated, up to 35 of them to invest with you, but then you can't advertise, which once you run through your list, that's it, and you can only take 35 of them. And then on the 56-C side, you can notoriously advertise wherever you want, shout it

from the hills, but you cannot take non-accredited as a couple of military veterans, I don't know about you, but... Even now, most of my friends are rich. Most of my friends are not accredited investors, and they look at what I'm doing and they say, Hey, I wanna do that, but they're not able... It's not legal. So Regulation A Plus kind of blends the best of both worlds, we can take non-accredited investors and we can advertise the trade-off for that is a very, very high level of regulation from the Securities Exchange Commission, FINRA, the state SECs, the engagement, all sorts of third parties to make sure that every transaction is done, and audited above board, so it's tremendously expensive.

[0:11:09.8] PC: I think we're into the thing right now for 250-300,000 just in set up, so that's what's gonna keep most people from doing it, but we're at an enterprise level, not as a EL level, and once I made that decision, it was an easy one for me, it's not been an easy road, but I know that for where Mission First Capital is going, it is the right path, and at the heart of it is the ability to allow our brothers and sisters who previously have been excluded from this asset class that come alongside a single purchase... in what's been historically a very stable and lucrative asset class.

[0:11:47.2] WS: So I guess it allows for much lower minimums as well and non-accredited... Is that what you're saying?

[0:11:47.4] PC: Correct, a really long explanation to hit that exact point that you said, so our minimum is \$5000, and the theory behind that is that just about every service member that is interested in investing could do that on an annual basis, there's also another little tricky role in there that an investor can't invest more than 10% of their annual income or their net worth, whichever is higher, so \$5000, we figured that a lot of active new service members would be right about at that 10% mark when you figured all of their different sources of income, and those who like nice VA loans to purchase homes and have some other stuff with different investments, we will obviously be a little bit higher.

[0:12:33.2] WS: Is something like this considered open or close fund or how does that work

[0:12:37.5] PC: Exactly. That's another great question, there's people out there right now that are doing like 56-C funds, which enables them to, like I described, buy a suite of assets, so they're not all their eggs are in one proverbial basket with one asset, one market. What's different about ours is, yeah, we're gonna be open for a longer term, we intend to stay open for about a year before closing this round, and we'll launch another one, so on and so forth.

[0:13:02.5] WS: What are a couple tips and managing a fund like that, just imagining all these investors and different deals, what's some tips on managing that?

[0:13:10.5] PC: It's about, I think with any real estate deal, it's about having the right people, and I'm just incredibly fortunate to have a phenomenal team around me, which enables me to stay in my lane, which is finding deals local to... Virginia or even up to Richmond. So that's sort of my wheel house. And then also to find network with and vet the best military operators in different markets that we're interested in and get their opportunities as they become available, so I can go out there and do due diligence with them and at properties and all that kind of stuff.

[0:13:43.6] PC: And I know that somebody's working on the compliance, somebody's working on the investor relations, somebody's working on the legal, all that stuff taken care of for me by... Great people.

[0:13:53.5] WS: Nice team. So important, no doubt about it. And the listeners know that they've heard me talk about it so much and how we've hired and trying to find a class, a talent and so important. Anything else about... Say the fund for... We have to move to a few final questions, but anything else about the fund specifically that... Say you wish you had known when you started that, you know now.

[0:14:14.5] PC: Of course, we took our lumps on this with the SEC, with FINRA with maybe submitting documents out of order, so I sound like a broken record, but team... So when you're interviewing all of these vendor partners of yours to make very clear expectations and make sure that you have a complete understanding of all the costs involved in the entire process and timeline up front to avoid any surprises, we've received a few surprises along the way, that have delayed us and cost us money and this and the other thing, but when you're dealing with government agencies, sometimes that's just part of the course.

[0:14:51.8] WS: When you say, I expect you're working with a great attorney that's having to draft all this paperwork and documents, and obviously you have to communicate with some government individuals or individuals that work with the government, you're waiting on responses and things like that. Is that accurate?

[0:15:06.0] PC: That's it. So in addition to a couple of sets of attorneys, we have three different

sets of accountants, we have a broker-dealer who works with family offices and other sort of retail investment opportunities that are sort of outside of our individual wheel house, but there's a handful of states that require any security to be sold via broker dealer within their states. So that was something that we didn't know right off the bat, and there are six of them, six or seven that were required to have a broker-dealer, but when you have one engaged and working for you, the other states, they look highly ones. So I said, Okay, well, we might as well hire on for all 50 and make sure that we are covered so we can focus on what our job is, which is finding the best possible commercial real estate opportunities for our Veteran investor partners to ride along with us. And enjoy what we project to be a pretty fun ride, that's something a little bit different than the stock market is a little bit different from that. Their savings plan that... Government employees have access to it.

[0:16:09.0] WS: Yeah. At least this way, they have some control over what they're investing in it and who they're investing with me to ask you, 'cause I'm sure there's listeners that are wondering, did you have to be licensed as a broker dealer, but you mentioned you... You partnered with one or you hired one. Phil, what does that relationship look like as you move forward to this fund and working with a broker dealer.

[0:16:27.6] PC: So... Yeah, they're just a facilitator for us, so they take a small fee for... There's a statute called, anti-money laundering and know your consumer disclosures within the SEC, and so basically that's their wheel house when an instant investor comes along, they're gonna fill out their subscription paperwork in late when we do a normal syndication, and then they get to work, and even when they wanna invest, they sort of wait and give us the green light or the thumbs up that we're clear to extend money from these folks that we know who they are, you know where they live, all this stuff is... That's a risk just in today's world, and I think that extends to more traditional syndications as well, so that's something they do for us, and also a lot of the tech, the investor platform tech stuff, we work very closely with them to actually get it tweak in branded and everything... So it's Mission First Capital, not some generic third-party...

[0:17:25.5] WS: Nice. Is there a goal for the fund, I know you said it may be open for a year, is there a certain amount you're looking to raise or certain number of assets you're looking to purchase?

[0:17:33.6] PC: Yeah, so we're looking to raise 20 million in the remainder of 2021, so with a full Regulation, A-Plus fund, you can raise up to 50 and then you can do an amendment to go to 75, or

you can just file right away to go to 75. So we figured year one, we'd kind of set up more modest, so 2021 raised 20 to buy 40 conservatively, and then through our value-add strategy, we are looking to, for lack of a better term, bury those properties in between 18 and 36 months, recycle some of the money and then go buy a second tier of assets so that we've got a wider base of our peer med, everything should be cash flowing nicely, paying down debt, all the wonderful things on why we do real estate, and then only comes to our investor assets, we've got a lot of equity to pull from a lot of cash flow to pull from to make sure that we get them looking bargain for first because aside from a small asset management fee and a small acquisition fee, we're not taking like a split or anything like that to a 7030 syndication, all the money is your market for the investors, except for those couple of fees once they're paid out, then we get to enjoy some upside, so our priority is to expand the opportunity to the most possible people and the kind of people like we worked with in the military are the ones that are near and dear to me, and then to make sure they get what they're bargaining for, and then there's some upside left for us.

[0:19:00.7] PC: Fantastic, I think there will be based on our track record... And we just keep doing it again.

[0:19:05.4] WS: Nice. No, I appreciate you explaining that. And you've been in multi-family for a few years and you've done numerous projects, how do you prepare for a downturn when you're looking at maybe a new deal or even through this fund, you can answer that it either way you want...

[0:19:18.1] PC: That's so tough, because if you are in the acquisition space right now, you know that it's just absolute pandemonium out there, so it's another reason we're really excited to partner with some of the best operators from all around the country to acquire a suite of assets that's not just in mind, backyards who are insulated against any geographic risk, but you're talking to macro market, so what I hear a lot is people are worried about interest rates, and of course, that's sort of puts a damper on the multi-family party when interest rates go up, CAP rates tend to go up in conjunction with them, property values go down, but what we learned from this whole Coronavirus thing is that people are always gonna need a place, a needed place to live, people might not always be an office, people might not always need a pad site for a restaurant, so I really like where we sit, and even in the state of Virginia, and there's been so much support from the state government to catch people up on rent, debate that as you will, about whether that's a good thing or a bad thing. I think from a societal perspective, it's a bad thing, but I think as a property owner looking out for my investors, it's a good thing.

[0:20:24.6] PC: Right, so I think that's going to continue. So I have a hard time forecasting a big cataclysmic, everything is going totally crazy downturn, but you always have to prepare for it, so something that we're doing is we're being very careful with our debt bridge loans right now, not only are they expensive, the terms are not the best... They're not the same as they were in 20, 18, 19 and 20. So if it's a smaller deal, we might just pay it in cash and then burn them out with some long-term non-recourse debt on the way out, and our fund structure allows us to do something like that, 'cause the first year or first 18 months is we know we're not gonna kill it cashflow-wise, it's about stabilization, it's about creating that value, and then having a cash flow stream.

[0:21:13.4] WS: Definitely a great option as you have a fun to be able to go pay for things with cash and then finance it later, it's such buying power there that's needed at the moment are always... But especially right now, and what about any predictions, Phil, that you have that you could share with us over the next, say, 6 to 12 months in the real estate marketing you think you see or expect to happen?

[0:21:25.2] PC: Barring a large world event. As we're recording this, there is an issue with the Southeast United States and a gas pipeline that's been interrupted by terrorist hackers, so something like that has the ability to really throw an interesting dynamic into a market, but assuming no large worldwide or nationwide crisis. I anticipate a very competitive market in the next 12 months, CAP rates continuing to compress interest rate thing about where they are, which the Fed is indicated, the banks might try to improve their spread as they're starting to do, which makes our interest rates go up. So it's ever since... but it's still fantastic debt, and there's a ton of money that's just looking for home, and a lot of smart money believes that a safe home... The best house on a bad block, as they say, is multi-family real estate, so I anticipate competition to increase more people to be coming and playing in our sandbox.

[0:22:39.5] WS: Do you have any daily habits that you are disciplined about that have helped you achieve success?

[0:22:44.5] PC: I wish I did, I'm a Miracle Morning practitioner, and I'm hard on myself when I don't get it done. But even if you're only doing a few of the things, if you're not doing a perfect Miracle Morning and if you're not familiar what we're talking about, definitely go check out the Miracle Morning, read the book list, no audio book. Halle rods a genius. Let that... But yeah, I live for about 100 yards from the beach. So I take my dog, I'll take the ear buds out, no podcast, no phone calls,

just the sound of the lapping ocean, sand on my feet, dog, yeah, that's a good place to do some thinking, a cup of coffee on my porch with a journal, I read a lot... (Now we're talking.) Something I'm ashamed of is my exercise hasn't been what it should be lately, and there's excuses as long as my arm, but you just gotta do it if you're not feeling good, go move. That's very helpful. Those are some of my go to's, sort of mindful me, something that connect with nature, something that get you move in a little bit. Surfing, skydiving are mine that I really like.

[0:23:48.0] WS: Awesome, I love being on the beach personally, but really, I'm not a big swimmer, but I do just the thinking time that can happen on the beach. It's just been great for me. My wife loves beach, but that's my favorite part about it, especially coffee early in the morning, but those walks, it's just very clear thinking and I don't know, just some good times there. Phil, what's your best source right now for meeting new investors?

[0:24:11.5] PC: Since we're going to this fund model, we're more of a marketing machine than a person to person, but what I found with military folks is right under the current everyone's looking for something outside of the stock market people know that it's a little bit wonky right now, some people are doing really well... Will that happen forever? I don't know, TSP, same kind of idea there. People are looking for a little bit more stability. They like the idea of real estate. Maybe they bought at home using the VA loan, but then they rented it out and it's a disaster, some people just don't have the stomach or the opposite for those types of things, so they're looking for exactly what we're doing. We're here, so Instagram, Facebook, we're gonna be doing a lot more in the coming months of sort of like a HGTV style of, Hey, this is our building. This is what we're doing, this is how this all works. Lunch and Learn, stuff like that, just bringing people into the fold, 'cause this is a end all, be all of financial freedom and investing with Mission First Capital, but it's a good step, it's part of a whole portfolio or a basket.

[0:25:13.6] PC: They invest with Mission first, then they become accredited down the line and they can invest with Life Bridge, they can go and do big dog stuff, but right now there's a disconnect. That wrong is too far away, and where we're feeling to be... we're providing that bridge from can't invest in anything outside of what your advisor pushes on you, mutual funds, what not to... You're doing actual private real estate deals.

[0:25:43.3] WS: You said to our marketing machine, now it's so true, man, all of us are that are in this business, you gotta get in front of people, so our customers or investors, so they know who you are and what you're doing. One tip and the way you've done that recently or somebody that's

coming into this business now.

[0:25:58.3] PC: So again, this is about having great people and great partners, our marketing firm, if you reach out to me privately, I'm happy to not kind of blast them across the airways, but yeah, if you see some of our stuff and you like what we're doing, reach out to me and I'm happy to connect to you, I'm just super impressed with the holistic approach they're taking to Marketing... My team members, everyone believes so strongly, we're 100% veteran military family owned and operated, so everyone lives our mission and there are best ambassadors, and as our team continues to grow and we've got operators all over the country, I anticipate that they are going to be our best source of marketing going forward, but right now it's just kind of like beating people over the head with Facebook ads and Instagram, Facebook Lives and pay-per click, and just... It's kind of boring, but it is what it is to get eyeballs. Right.

[0:26:47.5] WS: What's the number one thing that's contributed to your success?

[0:26:50.3] PC: We spoke about the military earlier, you're put in a lot of un-winnable situations in training, and for those folks that have gone on to actually do real words, real stuff, they could speak even more on it, life's not fair, you're put in bad spots often in real estate, Talk to anyone who's been investing in real estate for a while, and they'll have tons of war stories for you, really tough stuff, and the key is just to keep going, not to quit, to constantly look for a way out a way over a way around, just to accomplish the mission, and that's why I love working with military folks is there's a common thread there that we're just not gonna throw in the towel, we're gonna see it through, so...

[0:27:33.5] WS: True. You gotta keep going. I can't give up no choice, Phil how do you like to give back?

[0:27:38.8] PC: So I had a hard couple of years ago that is since gone by the wayside, so running a charity, as you know, like running a mission-based organization yourself, which is incredible, and I love what you guys are doing. It's hard, it's like a whole another business and there's no... You're not taking money out of it, but it's taken time and blood and sweat and tears. So unfortunately, I let that fall by the wayside. I like to give a lot monetarily, and I would like to find something that really jazzes me to give my time too as well, right now, my time is given most with newer investors, veterans usually that I see promise and I will invest in them time wise or monetarily, to try to give them that jump start. To have the same sort of path that I've had in my real estate career, and

ultimately that's the goal, a Mission First Capital in 10 years, if I don't have a 1000 veterans that are making over 100,000 a year from careers that I've created, and we've created through Mission First Capital, then I'll consider it a failure. I don't care if we've got a billion under management, like the way that we change our communities and really change this world for the better is making sure that the best people...

[0:28:57.7] PC: Great people. And I think that if you were the uniform, you sign a check to the federal government for an amount out to and including your life, you are one of those people that we give them the opportunities to create in their own communities in the capital that they can go and kind of ripple effect out. So that's my mission. That's what I'm out to.

[0:29:17.9] WS: A lot of that. Now, I appreciate you sharing that. Giving back in that way, I just encourage. Any listener that's a veteran or in the military and in capacity, you'll reach out to Phil and connect with him on that note though, I just wanna thank you for just sharing today with us about really your path to success in real estate and growing your syndication business and then moving to a fund and what that is and why and how you're helping so many people in the military, but how can listeners get in touch with you to learn more about you Phil?

[0:29:45.4] PC: So our Facebook group, Mission First Capital, I'm on Facebook, I'm a little harder to get a hold of these days. The stupid friend limit and all that, you can email me, Phil@missionfirstcapital.co, not .com, or surf on to our website and MissionFirstCapital.co

[0:30:02.7] 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 for free material and videos to further your success.

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