EPISODE 1292

[INTRODUCTION]

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Steven Libman (SL): And that's when we decided, okay, we're gonna pivot the model. We're gonna still operate the deals that we have, but if we're honest about where our strength is, it is investor relations. it is educating people about why they should get out of the stock market and into real, hard, tangible assets and some of the benefits of those things and have those conversations with investors; not necessarily operating the fund.

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Whitney Sewell (WS): From operator to fund manager, Steven Libman has done just that. He's one of the managing partners of Integrity Holdings Group. Prior to Integrity, Steven began as a realtor and then flipped almost 1,000 properties in the residential real estate space after getting burned out in a very transactional, highly-taxed business model. He moved into the multifamily and self-storage space to create passive tax-advantageous income for themselves and their investors. Steven and I go through why he chose to become a fund manager instead of an operator. So, why grow that operator side, building that team? Or why not? Why not do that versus "I'm gonna go become a fund manager", "I'm gonna focus on this thing over here". He goes to some pros, cons, even some things that came around in asset management that are gonna be helpful to you. Whether you're a passive investor or whether you're an active operator, either one, you're gonna wanna hear some of that. He throws out some things that they use to manage their fund that I'm gonna go research myself. So, I enjoyed the talk with Steven about why he's a fund manager and how they're doing in that. He talks a little bit about their team. And a big part of who he is is how they give back which I loved hearing about. I knew this a little bit about this or about Steven, how they operate, but it's incredible how they're functioning in this manner as well and how they're giving back and how this is tied to their deals in a big way.

[INTERVIEW]

Steven, welcome to the show. Honored to have you back on the show. You and I were just chatting a little bit about an event that we were at not long ago. It's great to meet in person. I feel like I've known you for a few years now but it's always great to meet in person versus over zoom like this. But, welcome back.

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SL: Yeah, thanks so much, Whitney. Always a pleasure to sit down and chat with you about some stuff and yeah, it was awesome to meet down in Florida a couple of weeks back. It is a different dynamic as the world starts to open up post-Covid, to actually sit, shake hands, and say hello again.

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WS: Right. Steven, you're doing some big stuff. There are so many people that are listening that want to learn so much from people like you and that are out there doing it, making things happen. One big thing that the listener would have heard from your bio and those things and maybe know about you already, is that you were an operator and you started and flip 1,000 homes, just a massive business there. You were an operator and you were gonna do big things but then you've made a switch it. You've made a switch from operator to fund manager. There are so many questions about funds and operating a fund that so many people ask me so often. I'm looking forward to getting into a little bit of that today and you're helping us.

But let's jump right into operator to fund manager, that thought process. Let's dive in there, 'cause I know there are listeners who are probably thinking about potentially doing the same thing, or at least operating a fund. Let's talk about you a little more specifically, and why not be an operator anymore? Maybe go back to when that started to happen, or when you started to think, maybe I should do this.

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SL: Yeah. So, as an operator in single-family is very different than becoming an operator in the multifamily space. It's just different skillsets that you need. I think there are certainly parallels. As you can see, I need to manage a general contracting crew, and I need to manage material deliveries and things like that. But, I think a lot of the gurus teaching from the stage about multifamily or not having this conversation about asset management, property management, and what happens after you find and take over a deal. I think a lot of people are talking about how to build broker relationships, how to send offers on deals, how to underwrite a deal, and how to create an LOI. Those are very important aspects of the business, but the game begins when you own a property, right? Proformas are just that until you get into an asset and you find that, for example, we had a 66-unit where we took it over and we had a shooting four days later. What happens? You wanna talk about the Mike Tyson quote "everybody has a plan until you get punched in the face." That's exactly what happens. You have a plan to asset-manage, to property-manage, but then you have police there all the time.

Now, all of a sudden you need to have 24/7 security on the staff because you didn't know that this was that bad of an area potentially. Or you didn't know that there were maybe gangbangers living in your asset. Then, where's that budget coming from? Your proforma budget goes right up the window. So, that's just one example of many. But operationally, you need to learn how to asset-manage which is not property management, by the way. That was a kick in the teeth for us because we thought it was the same. There's this property manager who was telling us, 'hey, this is kind of the plan that we want to implement when we get into'...we're like, 'oh cool, these guys have a ton of experience, they know the budget, they know their numbers, so yeah, you go ahead and implement that plan and we'll just kind of sit back and watch you guys do it and manage all that. Well, that's not asset management. And years after the fact, we can tell you very succinctly that you need to have a plan to manage too regardless of the third-party operator.

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SL: A lot of guys, I think I eventually bring that in-house. They manage in-house asset and property management because it's easier to have your own employees doing things. So, there's just a lot of, I think not gray area, but there's a lot of lack of clarity when it comes to asset and property management. That lack of clarity can very easily derail your properties. So we did that. We built three ground-up self-storage facilities, about 400,000 square feet, that were all managed by a third party named Cube Smart. And then we sold all of those assets last year, but then we bought a 66-unit, an 84-unit, 120-unit. We self-manage those and not without their challenges. Now, we have since sold or repositioned all of those successfully. But it was much more of a challenge than I think anybody ever told us it was going to be. That's kind of the first part of this. Okay, you can underwrite, you can acquire, you can even find a KP to help you sign on the debt and you can go raise the money and then you own the asset. But then, you have five years or three years or whatever the turn plan is for this asset. If you don't have that experience, you need to partner with it and make sure you choose the right partners because the wrong partners are gonna derail you just as badly as if you went at it alone.

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SL: And that's kind of where we were at. We did a SWOT assessment a couple of years back and we said, What is the biggest threat? SWOT - Strengths, Weaknesses, Opportunities, Threats - for your listeners. I know you know that. But SWOTs are very important to do, at least quarterly, to figure out where your strengths and weaknesses and where the opportunities and threats lie in the business.

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WS: Who did you do that with?

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SL: We run EOS. We run the Entrepreneurial Operating System internally. We've done some coaches over the past years, but now we kind of self-implement that. And I think if you build a culture of extreme accountability and transparency, you can effectively do that. If you don't have that culture yet, definitely bring in a third-party EOS coach or something else to help you

dig through those things until you can be brutally honest with yourselves. So, we did this quarterly and we just went through the 'threats' and I just said, 'What is the biggest threat to our money - and we kinda invest in every deal - and the investors' capital we're raising into these deals. And it was us. That's just a real analysis as to what the threat was to the investors' capital and why were we the threat. Was it for lack of diligence? Was it for lack of persistence? Was it for lack of passion? No, none of that. It was for lack of experience. And even with the experienced partners that we had, it wasn't to the level of experience that I thought would eliminate that from the 'threat column' and put it into the 'strength column'. Because that's what we're always trying to do, how do I take it from the 'threat' and make it your strength? And the simple fact was that we were getting into a season that we're in right now. We find ourselves dead smack, and we saw this coming two years ago, and I think a lot of guys did, just didn't know when.

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SL: But now here it is, the highly inflationary season. Cost of goods and products, materials are way up. Labor is difficult to find, or they're booked out months and months, and you have interest rates, talking about 7% to 11% interest rate hikes in the next 24 months depending on what source getting your information from. This means, you could potentially get into a property and do a bridge, and then in two years if you didn't underwrite that bridge refi rate properly, you're gonna end up in trouble. How do we hedge against that? And it's just experience - who has gone through inflationary seasons before? Who has gone through high-interest rates seasons before? And that's when we decided, okay, we're gonna pivot the model. We're gonna still operate the deals that we have, but if we're honest about where our strength is, it is investor relations. It is educating people about why they should get out of the stock market and into real, hard, tangible assets and some of the benefits of those things and have those conversations with investors; not necessarily operating the property. So, is there a synergy there? Where is the pivot? Go ahead, you're gonna ask a question?

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WS: Yeah. It's great information. It's great for every operator to think about, every investor to think about, what you're saying right now. I just think it applies to both sides of the coin in a big way - the passive guy, the active guy, or the guy like yourself. It's gonna be active but you're gonna be more on the fund side versus operations. So, I think you hit many nails on the head through what you just said, and I wanted to highlight a couple of things. But initially, you saw property management and asset management were the same things. Then, you figured out that, we ultimately need a plan to manage our assets outside of what our property management plan is. And I can directly relate to that. A few months back, brought on a full-time asset manager who has just some great experience and it's like, that's changed our life. Like, we are managing properties so much better. We know so much more now about our assets by

bringing this person on that has a lot of experience in this area. We didn't bring on somebody new and think we were gonna train them. We brought on somebody that has a ton of experience but we're paying them well because we want to ensure we're doing our best job to manage these assets the best we possibly can, because of what you just said - our investors' capital is that important.

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WS: It's so worth it. So it's interesting that you talked about, there's just a lot of lack of clarity around asset management. And I would agree. There's not been an amazing course that teaches you how to do these things. It's so much as by experience. You talked about your threat was the lack of experience, and so you all navigated that in a way where you all are focused on the 20%. You all did that principle at a big degree here to say, we are so good at investor relations and we're gonna just hammer on that the best we possibly can, and you are doing it so well. So you decided, we're not gonna be an operator and more we're gonna focus on the fund manager side. Speak to some pros and cons here you've learned that the listener needs to know. Maybe some things you didn't expect.

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SL: So, the first thing that we recognized is if we're gonna be operators, we need to build an entire asset and property management team. We want to bring that in-house and be vertically integrated which just means everything is under one roof. We're gonna need a lot of employees and I think depending on the season of life that you're in, maybe that's enticing, and maybe that is not. For us, it was not. We built a big wholesale flip business before, we shut it down, we had many employees, a huge payroll, it was a cash-eating machine. So, we were a little trepidatious to do that again. A year ago, we were like, absolutely not. But just being the fund manager, we can run with a lean and mean team, and partner with fantastic operators. And I think over time as the owner, you get released from the day-to-day a little bit more, and then you start to see, maybe I can't expand into that role. But it's all about seasons. So for us, we were like, if we build out the asset and property management team, we're gonna need a bigger team. We're gonna need to hire really more expensive employees that have a ton of experience. If we do the fund route, we can manage the investors. There are a lot of software programs and a lot of different programs that we can utilize to help us manage more people without having to have so many contact points.

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SL: So, maybe you can do it. Right now, our team is six people, and we just launched our $100 million fund and it's completely manageable with that number of people raising the capital, managing the investor, and because of just different software. We still needed to hire an asset manager by the way, and we got a very experienced one. But that asset manager is now overseeing asset management plans from all of our other operators. So, I would argue that if

you were an in-house operator, you probably have one asset manager for every, I don't know, six to eight assets that you own. That can fluctuate a little bit, but to really be digging into the monthly numbers, the weekly numbers, the number of times that the phone rings, and the number of applications that you're taking in, all of these different nuances, maybe eight per employee. Our folks can probably handle about 15 because they're flagging things at a different level. They have a property management filter that it goes through, and then an asset management filter, and then by the time it gets to us, we're seeing finalized reports and we can scan through those and pick out some variations and variances that throw a flag for us.

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SL: So, we still have asset managers, it's just that I think we could do it with a more condensed team. So, that for me was a pro in terms of how many assets under management can we have to the number of B ratio that we need. The other thing is just doing what we like to do. I like talking to people about investing in multi-family. I don't like figuring out what paint color to put on the wall. That being said, in one of our assets, I said to the property manager that we were managing - I don't want to pick out the paint color. He picked out a horrendous paint color. So, when I went to the asset, I was like, who picked this color? He was like, well, not you, you told me to do it. And I was like, oh, herein lies the problem because I care about the details. I just don't want to choose the details. So, that's 'know thyself' in terms of what you like doing, what you're good at doing. I like talking to people about what it is that benefits long term generational wealth creation and giving abundantly can do coming through these types of properties. Not picking paint colors. It's not to say it's not important. It is. But I don't like to do it. So, I think that's the other pros - being able to really niche down. If that's what you like to do, and that's where your network lies, then go do that. If you like to operate and you like to order materials and make sure that they're on-site at certain times so your contractor can install the sink on the right time, go do that too. So, I think that's the cons.

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SL: Let's talk about some of the issues that come with running a fund. That is - what do the fund look like? How do I manage that? Is it open-ended or close-ended? Meaning, do I have a certain time frame to bring in that capital? Or can I keep it open in perpetuity? If I keep it open in perpetuity, what are the risks that lie in keeping it open? Because that sounds better to me than closing it, but there's some inherent risk that lies with that too. So, it's super granular. We know some folks that run 17,000 units and they have a staff of over 30 accountants in-house managing all of that money. I'll give you a little trick. We use NAV, which is a third-party fund management company, and there are third-party fund management companies out there. That's all they do. They have a trillion dollars under management. They manage the onboarding of the investor. They line up the PPM. So, when you come in with me on January 1st and I come in on March 31st, how do distributions get paid? Well, they figure that stuff out based on your PPM and the effective date and things like that. So, there are some ways to get around it.

You're gonna pay for it one way or the other, right? Are you gonna pay for it in third-party management? Are you gonna pay for it in employees? But, I also think the third-party management, having another set of eyes on it, keeps the investors safe. That's why we decided to do that. We also do third-party audits. Why would you do third-party audits? Well, in a fund, you need to analyze how the value of the fund is going up and going down because it's not attached to a single asset anymore. Now, it's attached to a dozen assets. So, you have to do third-party appraisals every single year to get the net asset value to go up or down dependent on how the entire portfolio is doing. Third-party audited financials, that sounds expensive. Yes, it is. But, why do you need third-party audited financials? So, that everybody has complete transparency as to where the money is coming in, where the money is moving out, how you as the general partner are making money, and how the deal is making money.

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SL: Yeah, there are a lot of other nuances to it. But for us, it was the right move because it was where our strength was really lying. And I think it does something else, which is in this extremely competitive environment gives you the option to work with many experienced operators that have a lot more deal flow than you would be able to create on your own. That is an actual issue right now. If you are out there making offers on deals, you know that people are taking down 14% IRR deals. For those of you that don't know, that's just a little bit lower than where it has been in the last couple of years, which means that there's a little bit lower cash flow, a little bit lower upside. It's just more competitive. People are overpaying for deals and these crazy market cap rates are compressed. So, it's harder to find cash-flowing deals which means that people are trying to force deals to make them work so that they can get to particular return profiles that they have historically been able to see. We're not in that game. We much rather would find experienced operators that know how to source deal flow, and when their deal flow checks our buy box, we partner with those and it gives us a much wider net to cast in terms of deal flow.

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SL: So, we have more deals and we have money, and that is because we partner with many different operators that have a lot of experience, that are still seeing off-market deal flow. So, I think that's another huge pro in this season where it's really difficult to find decent deals.

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WS: So many things we can talk about around operating a fund. I get so many questions about our operating fund. But, I want to know your thoughts on how it affects your investors. Your investors saw you as an operator and they were investing with Steven and your team and these deals that you're doing. But now you're investing in a fund, specifically a blind fund. They don't know where you're gonna put their capital. Thankfully, you had already built some great relationships with investors before launching this type of fund. Speak to how that's changed a

little bit. Or maybe, even how your communication with investors had to change. Not like updates, but more so about how you are presenting yourselves now operating a fund versus being the operator.

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SL: So, when our investors ask us, "why did you make this move from operator to fund manager, and how will it affect us?" Well, you tell them, with a lot of transparency, that we did it for them. A lot of it was for them because that 'threat' assessment was based on our inexperience and we're very transparent about that. It's not that we don't have real estate experience - we've been in for almost a dozen years - but much of our operating experience, less than five. So, even though we've had a successful exit, we were finding good deals and we were operating a lot, it was still to their benefit to figure out what our sponsor requirements are. So, this is what we tell. A couple of reasons that it's more beneficial for you, one is, now we vet all of the sponsors. They have to have at least 10 years of experience, at least 10 exits, and at least 1,000 units under management currently for us to even look at their deal flow. And that's a big deal because it shows some success, some track record. Our average right now is 25 years of experience and a billion dollars under management. So, we're far outshooting what our minimum requirements are. But that is the minimum for the investor, and for us - myself, my wife, my kids, in-laws - they all can invest with us in these funds. So, we take it very seriously as it is our money involved in the deal as well as other people's.

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SL: So, number one is experience. Now, we're vetting the experience of those sponsors and we're doing background checks and we're doing tax audits. We go deep with our part. That's number one. Number two is diversification. Before, I used to ask you to get involved in one deal. Well, that's fine. I, personally, am a big believer that each deal self-diversities, meaning if you go buy 200 units, you are diversified by the number of units that you have. If you buy a single-family house, not diversified. 200 units, very well-diversified. If one person moves out, you're okay with cash flow still coming in. This is even deeper. Our goal this year is to purchase $200 million worth of assets, and that's deploying about $50 million worth of equity and that should relate to somewhere in the vicinity of a couple of thousand units. So, now instead of owning just a piece of one asset that's between 60 and 200 to 300 units, now you own shares of the company that own the underlying assets. All of them that we acquire. That further diversifies you. Two is tax benefits. As you know, some cost segregation studies come in better than other cost segregation studies depending on the asset. So, sometimes you have better tax benefits than you do on one property than on another, which is fine, it's just the nature of the business.

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SL: Well, when you invest in a fund, now it's all equal across everybody that invests in the fund. So, if I have a big depreciation schedule on one but not so big on the other, if you invest in the fund, it doesn't matter because it equalizes out and you get your fair share of all the depreciation of all the assets that we purchased in that calendar year. Finally, and this was a big one for us, how do we get people to compound their money faster than every five years? If you give me a $100,000, then you have to get some cash flow and then you get some upside but you get your principal and a lot of the upside on the exit of the property or if there's a refi sale. That's when you get to compound your money. We all know that compound interest is the eighth wonder of the world. I'd much rather compound it every five years than never. But, how do I compound it even faster? In a fund structure, we can do what they call a "drip", which is a direct reinvestment program. Re-investment program or a dividend reinvestment program - depending on what you're reading through - is very simply, that whenever those distributions of cash flow are made, and whether that's monthly or quarterly or semi-annually or annually, you get to decide - you have to do it upfront - but you get to decide whether you're taking that dividend as cash flow to live off of, or if you're going to reinvest and purchase more shares. So, that means every month our investors get to re-invest into the fund, and they get to purchase more shares of the fund right away. Those two things, one, it helps us raise capital along the way through existing investors, and two, it helps them compound their money much, much faster for a higher blended rate of return.

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WS: I like that. I don't think I've heard anybody talk about that before on the show, as far as having that option. Unfortunately, we are running out of time. We'll have to talk about this again. So, your investors get the options upfront to decide when they invest. Can they change that later? How's that's done?

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SL: With new capital coming in, sure. But with the existing - like if you give me $250,000 upfront and you decide, I want this all to be cash-flowed to me. Fine. Or, you could say, I want half of it, $125,000 to be cash-flowed and $125,000 to be reinvested. So you can do whatever you want, you just have to do it upfront when we set it up. Then, if you have new capital coming in, then you can choose where we're gonna put it.

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WS: Of course. That's great. Tell us what type of fund did you decide on? Is that evergreen? Is it open forever? Is it closed? How did you all work through that?

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SL: So, we did a perpetual fund which is also known as an open-ended or evergreen fund, and all of that means - these are some pros and cons in and look, this is a big decision that you

have to make internally, and there's a bunch of different reasons why, a ton of brain damage, about four months of brain downers that we've gone through to figure this out and decide what was right for us. But very simply a closed-ended fund, you're gonna say, I'm gonna raise money for this amount of time, and then it's done, and then I'm gonna keep the fund operating for this amount of time, and then it's done. Then an open-ended fund just means that you can raise that much equity but then you can buy and sell assets in perpetuity as long as people want to continue to reinvest. That's what we decided to do. The major reason is right now in this particular environment, I do not want to have to wind down a fund just because the fund timeline is over. So, let's say in four years, we're in a season that we don't really expect where it's a bad time to sell, I don't want to have to sell my assets. And in some close-ended funds, that is gonna be a requirement. They have to wind down the fund to give their money back. That can create opportunity for guys like me who were sitting on capital and saying, okay, you have to wind this down, let me buy it right at a distressed price.

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SL: And the other part of it is that, historically, we found that people don't want their money back. I think there's this kind of common theme about how long do investors really want to keep their money at work? That's a problem, right? If you go, I'm gonna do an open-ended fund and we're gonna keep it open for 10 years, and Mr. Investor, the expectation is 10 years. I don't know what's gonna happen tomorrow for lunch. I'm not gonna lock up my money for 10 years. What's interesting is if you give people the option every three years, they will give it to you for 10 years. It's just they don't feel locked in. So, the idea of an open-ended fund just allows them to continue to reinvest but there is also an annualized plan where they can come in and say, hey, I want out of the fund. But there's a three-year initial lock-in period, and then every year, we give them the option to take money out of the fund. We did the open-ended fund 'cause one, we don't want to have to wind down, and two, we expect that we're gonna be purchasing for a long time.

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WS: That leads to what predictions do you have for the real estate market over the next six to twelve months? Obviously, you're in a way of buying or expecting to buy and invest large amounts here. Any thoughts that you have around just what's happening in our market over the next year or so?

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SL: I think coming from the wholesaling world and flipping world back in residential ten years ago has taught me this is that there are always deals. When everybody else is screaming that there are no deals, there are deals. You might just have to work a little bit harder for them. You might have to look under different rocks but there are always deals to be had. You have to make sure that you live within your own buy box and not allow yourself to move off of your own

standards. That being said, I think that you talk to some people that are saying 'this is a bubble and it's gonna pop', you talk to some people that are like, economics or economics, and there's still a lot of historical evidence that inflation actually increases real estate values over time. So, I'm of the mindset that inflation increases real estate values over time. I think that inflation rolls to the renter essentially as the business owner continues to pass on just like paying more for groceries right now. Renters are gonna have to pay more in rent over time. I think inflation will continue to get hedged a little bit by interest rate hikes but I think overwhelmingly, by and large, you will see that populations are still moving to different areas across the country where there is a huge housing shortage.

And if you're buying or building in places where there's a huge housing shortage and you're underwriting to the proper metrics, then you still have a very long window for good investment opportunities. This is why we got into commercial real estate in the first place, right? I think real estate historically outperforms the S&P with the volatility of stock markets hands down. So, that's why we got into real estate in the first place, why we switched from residential to commercial real estate. Boils down to really just this one statistic, which is in 2007 and 2008 when the bubble popped, you had almost 7.5% mortgage default rates on the residential space. In multifamily, it was 0.4%, and you can look that up. That's a statistic that's real in 2007, 2008. So, you're talking about 15 times the opportunity of mortgage default in residential. Not all real estate is created equal, especially in apartment buildings. So, we like this as a hedge against inflation and a recession-resistant asset class over time.

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WS: We can have long conversations just about that. That's great information right there. What's your best source for meeting new investors right now?

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SL: We have a new Director of Investor Success, and he's got 25 years with wealth management in multi-top-five wealth management firms that you would recognize. He manages a lot of retail investors that have historically only known the stock market so these are families that are between $1 million and $100 million net worth that have historically invested in the stock market. Know that there's gonna be volatility there, and they're looking for some hedge against inflation or some tax benefits. So, he's been a big key. We were on a podcast doing shows like this has always been great, but at the end of the day, I think there's still a very small fraction of the population that knows that the 401K and the investing in the stock market is the only way to go. They think that that's it. They don't know that there are other options. So, it's just beating the drum right and getting on the megaphone and letting people know like, hey, that's not the only way to do it, and we've had some success.

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WS: What are some daily habits you're disciplined about that have helped you achieve this success?

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SL: I caught some heat on Facebook not so long ago, because I just let people know, gently, that I bought $200 million worth of real estate in the past 10 years or so, and I've never gotten into an ice bath and I've never done 75 hard. I think people took that as a dig at them but it wasn't. It was just letting people know that everybody has their own things that motivate them and keep them grounded. It's not a dig against health. It's not a dig against Wim Hof or these other guys but it doesn't need to be a torch chamber for you to be successful, right? I have three kids that are eight, four, and two. Ministry is a big part of our lives, and I can't wake up at 4:30 in the morning. So, I try to wake up at six. I try to make sure that we're going on walks and bike rides and stuff, and staying active at least 30-40 minutes a day in some way. But in terms of daily disciplines that I think are giving their biggest turn on investment, it's just thinking. So, there's a great book called "The Road Less Stupid" and if you read it - yeah, it's fantastic. I knew you'd have that one.

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WS: I recommend it often on the show. I got it right here.

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SL: So good. And the biggest takeaway from that book that I have taken is to sit without a phone, without a computer, in a separate chair, which now I have in my office, and just sit with a notepad and think through some of those things. You could start with just a SWOT assessment. What are we doing well? And I love the quote in the book that says, "The best time to sit and think and pick apart your ideas is when you are certain about something." And it's when you have certainty that you need to really pick that thing apart. So, I love just being able to sit and think. I have it on my calendar for 30 to 45 minutes every single day to just sit and think about processes in the business that are broken, some things that we can automate, some systems or some automation that we can put in place for replicable processes that we don't need to continue to take the manpower and put into place. So, I think that's the highest return on investment. Making sure that you are sitting and thinking about the business is huge.

0:28:55
SL: In terms of daily habits, I wake up every morning and I go into the sunroom with a cup of coffee and read the Bible for 15-20 minutes. And that just sets the tone for the day for me. That's probably my ice-cold bath or the 30-minute workout in the dark for some people. That's kind of the relationship that might do it. We stay relatively active with the kids - it's impossible not to - and just making sure that we're reading and praying. We're Christians, we're believers, we think that God is the CEO of our business, and we try to bring major decisions to Him first

and pray about it as a team before we make any major decisions, and I think that that has been the reason for all of our success.

0:29:30.7
WS: No doubt about it. I appreciate that Steven, in a big way. I love how you said your daily disciplines that have had the highest return and some things you laid out there. It doesn't take cold showers to make it happen but if that's your thing, it's great, right?

0:29:44
SL: Exactly! No hate.

0:29:46
WS: Like warm showers. But anyway, that's great, I appreciate that. And even speaking about the importance of those things. Keeping the main things the main thing. Just like time in the word and time with your family and that time with your children in the mornings or afternoons, just crucially important and just the priority on that. I appreciate that. Speak to, quickly, about how you like to give back? Because I know that it's such a big thing for you, just like it is for me, and so I love just hearing about that and how you're doing that.

0:30:14.3
SL: A couple of years back, we started a donor-advised fund. I was trying to think through how do we give more abundantly now before we "make it". I think, probably, most of us have a 'make-it' number. Once, I want to make a million dollars, I can give away X. So, there are two parts to giving. One is a tithe, and that comes from your salary, and everybody on our team tithes. If they're Christians. So, I give 10% of what our income is as a family to the church as our tithes. Offerings are different. That's over and above what the 10% is. So, everybody's like, oh, you give a percentage. Cool. That's like a tithe, right? It's not. It's over and above the tithe. It's just called an offering. How do we give more abundantly now before we make it there? It was pretty simple through some prayer that we can start partnering with non-profits today. We didn't need to wait and we just needed to grow in the grace of giving and say, how do we start today?

So, we started a donor-advised fund. The first deal that we bought, we said, okay, 1% of all the cash flow and 1% of the upside is gonna go into the donor-advised fund. Then the next deal, we did 2%. The next deal, we did 4%. The next deal, we did 10%. Last year was 20% of all the cash flows, all of the upside, and that's a huge deal, by the way. So, it will relate to an incredible, way beyond what I ever thought we'd be able to give, to get given through the donor-advised fund which trickles down to - so far, I think we have 16 non-profit partners that are either supported on a monthly or annualized basis. And it's been absolutely incredible. What I love about it is that it's the heart behind the business, and it's also operationally how we dictate what we're going to do on an annualized basis. So, unlike a lot of businesses that go, what is our goal income for the year and how do we back that out with a number of deals or number of doors or number of transactions? We go to, how much are we gonna give away this year? And then we start backing that out - how much we're gonna give away, that trickles down to how much profit that trickles down to how many deals and transactions and doors and all of that. I mean, what a cultural shift that has been for our team. They get to participate in a huge way in eternal things, not just these things.

Of course, we're all trying to make a great living for ourselves and our family and create generational wealth. But the heart, the focus, the BHAG of our business - the Big Hairy Audacious Goal of the business - is to give 80% of all of our net profits away through our donor-advised fund at some point. And that doesn't have a timeline to it. We're gonna do it as fast as the Lord allows. But man, the team gets on monthly calls with these non-profits and they hear about incredible stories of what we're doing digging wells in Western Africa, saving girls from sex trafficking in the Philippines. We have actively right now supporting pastors driving out of Kiev with women and children and we had to buy some vans and we had to buy some bulletproof vests and bulletproof blankets. There are about 60 people a day getting extracted with these pastors, and that's all funds that came from our donor-advised fund. I tell you, it changes the dynamic of how you do business.

0:32:59.2
WS: I appreciate you sharing that, Steven. Yeah, wow, I just, even thinking about if you're having to wear a bulletproof vest to do what you're doing today, just the way you think about life and think about your day just changes you drastically. Oh, goodness, helps put things in perspective for us a little bit in our comfortable homes this morning drinking our coffee before we get our day started, and the troubles that we think we have. I have been in areas where I have had on a bulletproof vest and I'm thankful for it at that time. So, I'm so thankful that now we don't have to do that. But I love that we can support those who are in that situation and that you're doing that. And it even sounds like how you're operating this fund, you have the operator to become a fund manager, sounds like now you're funding non-profits kind of similarly. You're helping fund great non-profits that already have those systems in place as well. That you're supporting cause that you believe in. I love that. And what did you say, 13 or 16 non-profits?

0:33:52.5
SL: 16 so far. And yeah, one of our employees has gone almost 20 hours a week to just manage the donor-advised fund and the needs of the non-profits which has been incredible to see. That's what her heart is about but she deals with investor relations and helping onboard clients and getting paperwork done for them to onboard. Then at the same time, she is helping find what the current needs are, the non-profits, and sending the money there. Sometimes, I

don't even know when we send money until we have a monthly meeting about it and it's like - oh, we were able to donate how much? Yeah, it's very cool. It's starting to really take on a life of its own.

0:34:22.7
WS: That's awesome. Well, Steven, always a pleasure to catch up with you and hear what you're doing right now. You're a great operator and you're doing things at the level that I love seeing guys do and just operating in a way that is unique. I think very unique which makes you stand out in a good way. I appreciate you being willing to share the operator being a fund manager, some pros and cons, things we need to be thinking about as we contemplate operating a fund or not. Even the asset management piece and property management are some highlights there. Whether you're a passive investor or active, going back and listening to some of those things that Steven brought out. So grateful again, Steven for your time. How can listeners get in touch with you and learn more about you?

0:35:00.8
SL: Go to IntegrityHG.com, sign up for the investor club you get told about, and get a bunch of free resources. We also have a podcast called Free From Wall Street, so go ahead and tune in. We talk a lot about the things that we're talking about here. We talk about investing in relationships, not just real estate, some other things, and the donor-advised fund updates and things like that. So, if that's of interest, go ahead, check that out. Feel free to reach out to us.

[END OF INTERVIEW]

[OUTRO]

0:35:22.6
WS: Thank you for being a loyal listener to the Real Estate Syndication Show. Please subscribe and like the show. Share it with your friends so we can help them as well. Don’t forget, go to the www.LifeBridgeCapital.com where you can sign up and start investing in real estate today, Have a blessed day!

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