

**EPISODE 1301****[INTRODUCTION]****0:00:00.0**

**Whitney Sewell (WS):** This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today is a Highlights show that's packed with value from different guests around a specific topic.

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**[INTERVIEW 1]**

**WS:** Our guest is Jeremy Roll. Thanks for being on the show, Jeremy.

**Jeremy Roll:** No problem, Whitney. Thanks again for having me. I really appreciate it.

**WS:** Right off the bat, I'd love to know your thoughts about investor portals versus no portal. I'm sure you've been in deals probably that have both. So I'd love to hear your experience with both and why you like one over the other or if it matters to you.

**JR:** Great question, and thanks again for having me on. I really appreciate it. So I've been investing for 17 years in syndications or passive investments. I'd say portals have become more popular probably in the last one to two years. Actually, for those of you out there who are not familiar, you may notice if you've invested in multiple deals that have portals that the portal looks the same over and over and over.

That's because a company called CrowdStreet, which a lot of you out there probably know is a popular syndication platform actually has white-labeled their own interface and sold it off as a service to a lot of the syndicators. So that's by the far the most popular one I see. It's honestly 90 plus percent of the portals that I log into are CrowdStreet white-labeled portals.

So it's kind of nice because you already know where everything is. It's a very similar layout across all the syndicators. Also, I could tell you firsthand because I've seen some of the back office stuff they do that they are really looking to improve it, and they seem to manage it very well. I know a lot of syndicators are very happy with that portal. I have no affiliation with CrowdStreet at all. In fact, I'm an advisor for Realty Mogul. So if anything, I should be saying it bad. But honestly, it really, really is actually good.

I personally happen to like it, and I can tell you right now, the syndicators love it because it makes it much more efficient for them. I just find it's nice to have everything in one place. Obviously, we download individual documents. You can download multiple documents. I'll give you an example. This is a real-life example actually. Just yesterday, literally, randomly, I received a corrected K-1.

We're recording it since September of 2019, and that was kind of a bummer. I got that from an operator, and they had posted it into the portal that was CrowdStreet they were using. What I really liked about it is that I didn't have to go hunting for where are the K-1 even though I have it in a pretty well organized folder. I have to go to my folder. I was able to download the previous K-1, the corrected K-1 from like very quickly and open on compare and understand what changed, what was corrected.

So I had to go – It's a minor point, but let's say you're not well-organized. You're not specifically purposely being well-organized about this stuff. It's kind of self-organizing for the investor. So I tend to like it for that reason, and it's probably helpful for some of the investors out there. So that's my quick opinion. I would say that whether or not there's a portal, it doesn't change too much in that you're reporting requirements. Then what you would expect from a syndicator should stay the same. So it's just nice to have it in a unified place.

**WS:** Do you like being able to log in on your phone and see it that way or you're mostly going to look at it on the computer? I've seen some portals that have a really nice app, and I thought that would probably be nice for some investors. I've seen the others that they still have a really robust platform, but maybe they don't have an app other than going through the browser. I just wondered if that's something that you use.

**JR:** Yeah. So I actually don't use. I don't even know if they have one or not. I don't use it, but this is a true unfortunate fact. I was using a very old BlackBerry until earlier this year. Just two, three months ago, I switched to android, which is still a BlackBerry with a keyboard but it's actually android operating system. So even though I can use android apps, I am the wrong person to ask. So there you go.

**WS:** Fair enough. Fair enough. So I think you mentioned that like if an operator doesn't have a portal, it's doesn't mean you're not going to invest with them. We've talked about how you're going to do your due diligence on the operators, in the property and underwriting. We've mentioned those things in other shows. But the portal is not going to sway you one way or the other.

**JR:** Portals won't sway you. Here's what I will say. Some of the older syndicators who are more old-school, maybe been syndicating for a few generations or a few decades, I think they're less likely to necessarily have a portal. Now that we're talking about, I'm thinking it through, whereas a younger syndicator who is maybe comprised of younger staff is more likely to have the portal. I've never looked at this statistically, but I do think there's probably some type of correlation. So if anything, I like to invest with more experienced operators like everything being apples to apples. So it's interesting to consider that.

Now, I'm thinking about it too. I do have a number of logins but I am not in a tremendous number of operators who have portals probably because a lot of them are older more experienced operators. I wouldn't tell anybody out there to judge whether they should invest with someone or a syndicator based on whether they have a portal or not honestly. If

anything, if it's an older syndicator that actually does have use of portal and may tell you read between the lines that they are more forward-thinking and tend to be more tech savvy. But that's about the beginning and end of it I think. So it definitely would not sway me either way.

**WS:** So moving on a little bit by going back to really specifically dealing with more deal sponsors. Jeremy, do you expect – Let's say you've had a relationship with an operator for a while. Do you expect at first right to be able to invest in an opportunity or as opposed to just being just mass distributed and there being a waiting list?

**JR:** Yeah. That is a great question. Look. This is clearly subjective topic. I would tell you that I've seen this handled three different ways actually, in my experience. One is that you're on the distribution list no matter how many investors that operator has, and it's a first come, first served basis in blocking a spot.

Number two is that there are tiers of investors. So tier one is maybe who's investing within the longest or the most number of times or some method that they determine that you're on A tier. You get it first. You get the first shot, and then the B tier gets it after. The third way I've seen it is that a syndicator has so many investors that you can only look at every second or third deal. In other words, they have investor lists A, B, C and there are so many investors that each deal is going to fill up from each own list. So they rotate literally just random. You get today's deal. They get tomorrow's deal. The next person gets next week's deal, and it comes back to you a month later.

So I've been a part of all of those. Look. I'm kind of a principled guy. So the concept of fairness is what comes to mind me. To me, I think the most fair way to do is to just send it to everybody. There's actually issues with that too, because depending on which time zone you're in, you may be more likely to be looking at your email at 9:00 AM Pacific when someone else at noon Eastern is actually at lunch. So it's hard to sell this perfectly.

I prefer to be in a situation where I'm getting every deal from the person. I say that because I've been on the other side of the table. I've gotten every third deal from an operator I love whom I'm messing with more than 10 times already, and I still cannot get until like – What I do to try to get around it is I try to be in touch with them as often as possible, ask them what's coming up, and just try to sneak into whatever else they're doing. But I have to work at that to actually get those deals.

So for me, I strongly prefer to be on the – One thing I actually really don't like is I was once a part of a very experienced senior living operator. I was in their tier seat, and I knew this because I asked them. So they would go to tier A. Then they go to tier B. Literally, tier C would never get anything. It was because they had been operating for 10, 15 years by the time I met them, and I was just in tier C. It was really frustrating. They were still doing their deals, but it was frustrating for me.

What's also interesting from a syndicator perspective is that you never know when an investor is going to stop investing because they ran out of capital. They decided to invest in other things. So from a diversification perspective, I think it's lowest risk for those operator to actually send it out to everybody at the same time for long-term, continued interest in their deals. But there's a lot of way we can slice and dice it. That's for sure.

**WS:** So when someone's presenting a new deal, I'd like to know your thoughts about like a webinar to present the deal versus a call, say from a syndicator and what you like to see there.

**JR:** Yeah. So again, this is very subjective, so just one person's opinion. I am really all about weeding through the deal and looking at the details in writing. From a convenience standpoint, I'm so busy. I like to be able do it at 10:00 PM, whatever time I want to do it. You can argue that if you watch a webinar you can do the same. But the challenge I have with the webinar is that I can weed through a document and within five minutes pick up enough of the important points to know if there's something I should really spend a lot of time on.

Well, with the webinar, I don't know how long it's going to take before I've gotten those key items out of it. It could be to the end. It could be half an hour or an hour. So the webinar is not nearly as efficient from my perspective. I think the main benefit of a webinar is if the syndicator to actually get their full message out without having to speak to 50 different people and 50 different calls. It's very efficient for them.

Some people may like webinar. Maybe they're driving home and they're listening to it on their car and it's a good use of their time. But for me, who I just try to be really, really efficient and I have the time to do this. I strongly prefer to be able to jump in to the doc, and what I'll do is I'll start picking things out in the documents and the pro forma and create a very long list of questions from that. But if you're asking me to spend an hour listening to a webinar without knowing if a quarter of those questions are even going to be answered, it's just not a good use of my time.

So I am probably being a little harsh, because there's probably a lot of pros to the webinar that maybe I'm not giving enough credence to. But I strongly prefer just get in the docs and be able to talk to the syndicator directly.

**WS:** No. Fair enough. What about phone calls from the investor or follow ups? We'll say we've sent that email out. Do you want to call from the operator or numerous calls? What does that look like?

**JR:** Yeah, I actually would strongly prefer for them not to be like pursuing me. Again, I'm really biased. I am a very no sales pitch guy. If anybody out there researches me, you'll see I co-founded a nonprofit in 2007, which you mentioned, For Investors By Investors. We started these investor meetings, public meetings strictly for no sales pitch. That was the whole point. Just to break even. No sales pitch because of all the sales pitches I've sat through all the years in networking.

I don't like the concept of getting multiple emails. I'll take it. I'll review it. Then I usually will respond and be respectful and let them know I'm passing or not just so they're aware. But I don't like it at all if someone's trying to hit me up three, four, five times. It almost gives me the wrong message about an investor that they're a little bit desperate. It may not be that that's the case, but I'm personally really turned off by a lot of marketing like that.

**WS:** Do you provide any feedback to people like that or operators when you receive information?

**JR:** Yes. Almost always, I actually tell them why I'm passing. The last thing I want to do is say like, "Here's why I'm passing. Your deal isn't good." That's not all what it is, because there's a thousand ways to invest and it just might not be the right fit for me, and it doesn't make it a bad deal or a wrong deal. But I like to give a feedback, because what I don't want them to do is get the impression. The ones that I really like and want to work with down the line, that I have no interest or that I'm just brushing off their deal.

So if I'm responding to a syndicator and telling them why I'm not investing, most likely these days it's because I don't necessarily deal with market prices on average and I want them to know that. I would say, "Look, I can't do this cash flow level. I'm hitting my minimum, or this cap rate is too low for me. The multiple is too high.

But I really look forward to looking at stuff once we have a market adjustment and I'm going to take it seriously," or something like that. Because, again, I don't want them to think that I'm just not reading stuff and I'm trying to build a relationship in the future. Part of my thought process is this whole tier A, tier B, tier C thing, that I don't want enough in tier C if I can avoid it. If it's someone I really like and I want to invest with long-term. So you got to do a little bit work on that. You're not the only investor looking at a deal.

**WS:** You're thinking long-term there. Maybe I should get in this deal so I can get into the next deal.

**JR:** 100%, yes. Long-term for sure.

**WS:** I like that. I was thinking about just the process of how as an operator we have to take sensitive information or bank account information and routing numbers and things like that. What are your thoughts about how that's transferred? How we take that? Do you have questions of is this secure? What are you doing with this? As I'm telling it to you over the phone, or through the portal, or maybe they don't have a portal like you mentioned. How do you like to see that handled?

**JR:** Yeah, great question. So I actually was indirectly involved in an incident recently where there's a hacker that hacked into somebody's email of the CEO and the CFO of – It was actually a startup I was investing on, which is very rare for me, but nonetheless.

If it wasn't for the fact that my friend who I'd brought in who is investing as well hadn't asked for the documents a little early, we all would probably have lost a combined million dollars to this person who had set up literally a real company in another state with the very similar name and they were intercepting the emails that were actually being sent from the syndicator exchanging the wiring information in the email, but leaving all the rest of it the same. So it seemed like our email that was written by the person that actually was written by the person. Then they created a very similar LLC name in another state.

If it wasn't for my friend that asked me, "Does this state look right?" I'd already invested in the company in the past in a different state, I was like, "That's a weird state." It wasn't Delaware, it wasn't California. We actually figured out that it was being hacked. We were 24 hours away from all the investors getting this information. Just a very lucky situation.

I was actually floored, because if you can believe this, the hacker actually called my friend, because he'd been seeing the emails back from a signature. He used the person's name. This is so and so. Are you sending the wire? We're waiting for it. He actually was impersonating the person who was supposed to receive it and actually called him four times



one day to try to get the wire. Clearly, desperate to get the person's money for whatever reason.

It was really interesting. He literally called – The hacker had called my friend for this. So after seeing all these, I just realized how important it is. Because I've heard these stories, once you're kind of watching it happen, the different situations. So I will be probably by phone calling myself and not receiving the call, but calling people going forward. Unless it's just someone I already invested with before and I've already used that exact information before with my wiring and everything.

Yeah, I think it's becoming a much more important topic, and I unfortunately think this is going to become a more common occurrence going forward.

**WS:** That's a great idea right there. I'm glad you said that. Having the investor call you, so they know who they're calling.

**JR:** Now, I know that some people like using their portals, and that theoretically, like an investor should be able to log in to their portal and look at information that may have been like in a document that may have been uploaded there. Some people are using that as a safety guard. I think that's not bad. But you can argue that technically that can be hacked and that someone else can be – Just like the email is hacked.

So if you want to be 100% sure as an investor, it's a lot of money at stake, then I would strongly recommend calling. Also, I don't want to get this wrong, but I believe a wire is like giving a cashier's check. It's cash. So once you send it, I believe you cannot get it back. Hopefully I'm not giving wrong information out. An ACH usually you can catch it and reverse it, or sometimes depending on the bank, within one, two, three days sometimes. So wire is like cash, and ACH is more in process and can sometimes be reversed.

So if you have the ability to choose, I would choose to send an ACH instead of a wire if you have that choice. You should definitely check with your bank on whether that's correct

information I just gave to you. I don't want to get it wrong. But there is a difference actually in being able to reverse the transactions between the two.

**WS:** That's a good question. We should get some answers to as well. It's just understanding the ACH versus the wire. I know we've wired friends for adaption stuff and different things and it's like – I've asked that question. I think this is on a Friday and they said, "Yeah, by Monday it would be like –" You can't re-purse it." It's done.

**JR:** Yeah, just check with your bank to be sure before you go to the process.

**WS:** Is there a specific method that you've seen that you like an operator or the way they handled that in the past?

**JR:** I wouldn't say so, because this is a pretty new phenomenon to be honest with you. I don't think enough operators are worried about this yet, because I don't think there's a bit enough stories about it yet. That's my impression. So I do know that the ones who are worried about it, typically like having people call and verify. I think that's the safest way. So as long as you know you've got the person's correct phone number, you're not calling somebody else.

[INTERVIEW 2]

**WS:** Our guest is Lance Pederson. Thanks for being on the show, Lance.

**Lance Pederson:** Oh, thank you, Whitney. Happy to be on.

**WS:** Can you just speak to them a little bit if they don't have someone like yourself on their team or they're just you know maybe they already have a sponsor in mind but they're trying to figure that out, any steps that they could go through or questions they should ask? And, you know, I know we talked about questions I sponsor optimized for like your level of

experience, maybe there's a few things you could provide to that passive investor that's listening that they need to think through before they make that investment with the sponsor.

**LP:** Let's say that, you know, I didn't have access to the verivest stuff and I didn't feel comfortable with the background check or whatever. I think that my go to would be to get references like, "Who else have one of the other investors have worked with these people before?" and have those conversations what I found when I've called investor references, it ends up they're not as great or wonderful as one would expect, oftentimes, because, you know, and investors, I think it's interesting because when it comes to investments, nobody wants to be the guy that said, "Oh, this is great." And then have it, whether or not they even know who that person was or not, like they don't want to be the one that said, "Oh yeah, Whitney's awesome you should invest with those guys" if he himself is uncertain, or doesn't have proof, because he's want to be the guy who then if it blows up, he'd feel guilty. Right? So I think that a lot of people skip that step because they think that, you know, anytime you get a reference that it's just going to be glowing. And I have not found that to be the case at all, so one thing I'd say the sponsors and I tell them all the time, is that if you've got someone on your investor reference list, you better darn well make sure that those people are going to say wonderful things about you, right? Like don't just say "Well yeah, call Jim. You know, I'm confident Jim thinks I walk on water," it's like Jim probably doesn't think you walk on water. But that would be the big and then just back channeling stuff, so I mean, I'd probably call their property managers. I just try to figure out who these people are, I mean that's at the heart of it, right? It's just, who are they in are they capable of to execute the business plan? You know, can they execute this strategy? Have they done it before? And of course that's why I think track records, huge if you really have one, then that sort of is indicative of performance it's, it's, it's, funny to me that that we don't make a bigger deal about it, because it sort of demonstrates and I get it, we've been in a bull run and everyone looked like they knew what they're doing, but it does sort of point to what might happen in the future, I mean at least with other things going on. So, and then reporting thing obviously

a big deal to is just figuring out how often do you report, which those investors could probably give you insight into.

**WS:** You talked about calling the property management campaigning it's interesting. I think of you know I've had, you know, hundreds and maybe thousands of investor calls over the last, you know, numerous years, and I think I've had one person recently asked to speak to our management company and our potential investor. I thought it was an interesting thing you know, because then it was like that away they could verify that those properties that we show on our website or whatever are actually under management, you know, and ask some other questions, so I thought that was a neat question that I haven't hadn't received before, but they had a call with them and it was fine, but still it's just a way, you're getting to know someone right off the bat brand new just to ensure hey this, this is real, you know they are actually managing or at least another call there another contact outside of that initial sponsors, organization, potentially.

But what about...you mentioned reporting, could you just highlight a few things about reporting that you like to see from a sponsor?

**LP:** Well, I mean, at this point, it seems that people are really struggling just with frequency and consistency. So I think that just demonstrating that you're least sending out some sort of narrative report on a quarterly basis at least, just seems like the bar that you have to be able to cross, right? So as an investor, if I'm not seeing evidence that you've been doing that...I mean, I should be able to say to you, Whitney, "Okay, what deal have you done that's been on your portfolio for two or three years?" and you say "this property" that I say "okay, send me the investor communication you sent to all the investors in that deal, and I should have that in my inbox, as far as I'm concerned, in under 20 minutes," because if it exists, then you should be able to send it over easily, right? And so, I think that's sort of how I would go about it. I mean, what do I really want? I, as an investor would love to get a capital account statement quarterly. I'd like to know, I mean I already know how much you gave me and distribution, so thanks for telling me that you sent me this money. What I'd

really like to know is how much income is this property is being allocated to me. You know, how much appreciation to be helpful inside of the year not after the years over. And then obviously just the property level financials, I mean some people don't even provide those, but I mean I as an investor, that's kind of important. I'd like to be able to take a look at those things. So those are the things that I look for. And I feel like that's not asking too much but, but I've learned otherwise that I guess that is a tall order, unfortunately.

**WS:** You know, it's interesting, it's all about who you speak to and what operators. I think there's some people who are sophisticated, are experienced as you are that are going to ask for those things and know what they're looking at or many investors and almost scares them to see, you know, financials like that they just don't know where to start, but it's great to have somebody like yourself on our team, you know, that can help them or understand those a little better. You know, and I wanted to speak to the frequency. Are you talking about getting those updates to you quickly? I have not seen anyone else do this, maybe you have. I know we, probably a year ago, we started putting all those investor updates on a landing page and now I mean, immediately I can send investors links to almost all of our projects where they can see every investor update that we've ever since, you know, so they can, I mean they can go back as far as they want you know, so easily, so it's nice that you bring that up as well.

So, we just have a couple minutes left, but I wanted to speak to, this you know, investors, or sponsors that are that are wanting to work, you know with institutional money right or they're wanting to, you know, work at that level of investorss or maybe they're not wanting to, you know, continue to have to have every investor a 50,000. But what does that look like typically for you? And, you know, maybe some steps for them to become ready for institutional money.

**LP:** Yeah, it's, it's a lot of what we just talked about is that institutional investors, their expectation just to survive their due diligence process is that these things will be in some sort of data room that they can look at. Right. So, if you want to go that route, then you're

going to have to have...you have to be very organized. And now, I think that the downside is that institutional capital really equals expensive capital. So I just have so many sponsors think that that's like that's a graduating to something like, I mean it is in a way it means that you're mature enough and organized enough to be able to you know to attract and that your track record is extensive enough to where they're willing to, you know, do business with you but right like it's, it's not as wonderful as many people think it is. They cram you down and it's kind of like owning a job. So, you know, and obviously it's not just, it's not completely binary, right? But you need to understand that it's not all that you hope it is because everyone wants is programmatic capital where it's just instant on capital that equals, you know he has a gold, still makes the rules. And that means that don't expect that you're going to, you know, the fees that you've been charging you probably won't charge, there's always trade offs, right? And I think that that's the big thing and I just think there's not one size fits all, is the other side of it, it just to capitalize transactions is complicated and each deal stands on its own and, you know, but you need to be ready for it all because if you do find a deal that needs 20 million in equity, and your investor base can't bring all that, then you need to find ways that maybe you can take on, you know, money from equity from a private equity, you know fund or something real estate fund. And it just if you're not buttoned up and you're not organized then, you know, you will be able to do that deal, right?

**WS:** Yeah. Definitely need some options in this business or where to where to find money. Hopefully your investor base and operators continually growing, and I was just sharing with someone in another show we talked about referrals and it's incredible to watch that happen, it's our best source of new investors right now, just people sending people are way so it's just neat to see that happen. But thanks for sharing just some pros and cons really of, you know, with going that direction right for institutional money. And, so yeah, some things may have to change if you're planning to use or go that direction these types of funds.

Lance, amazing show, just a great you know, understanding the friction between LPs, GPs how to minimize that, and how you have done that, and how you're helping others, and also

just thinking through institutional money and you know the operators really want to go that route or not pros, cons, and maybe we should have some avenues like that if we needed if it's a big race, potentially, but just thankful for your time and sharing your level of expertise.

[END]