

EPISODE 579

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.1] WS: This is your daily Real Estate Syndication show. I'm your host Whitney Sewell. Today, our guest is Jake Marmulstein. Thanks for being on the show Jake.

[0:00:33.5] JM: Thank you so much for having me Whitney.

[0:00:35.7] WS: Yeah, happy to have you on the show. I know a lot of people in this space are looking to people like you for guidance and figuring out how to automate a lot of these systems and things that we have run in the background that we've done manually for so long and takes so much time so I'm looking forward to this conversation but a little about Jake, he's the founder and CEO of Groundbreaker, a software application that helps real estate investment firms automate workflows in fundraising, investor reporting and investment management.

Jake, thank you again, give the listeners a little more about who you are and let's jump in to what this is in a little bit.

[0:01:12.5] JM: Okay, well, thanks Whitney. When I started Groundbreaker, I started it because I experienced some of the pains of raising money and managing investors at a REIT where I was underwriting a lot of distress hotel assets and you know, everything was in Excel and we had internal server from managing all of our documents, we used PowerPoint presentations and

sent them out in email for – to provide investor information and it just seemed like all of this work kept piling up.

That's kind of where the experience came from the inspiration to do Groundbreaker and when I got exposed to technology and the way that it can work to automate and streamline things, it was a no-brainer to begin on this path towards modernizing real estate investment management. Yeah, that's the long and short of it.

[0:01:58.5] WS: Yeah, its interesting too – from your experience with, I mean, coming from a REIT, but then also now, having some type of platform like you have, you get to see how lots of operators operate, right? You get to see how lots of people are really communicating with investors and how often they do it and just some best practices, things like that. Strategies that you've seen or that you've learned from your previous experience as well just to gain investors and to build trust. Could you elaborate on that?

[0:02:27.6] JM: Yeah, absolutely. Really, when I began Groundbreaker going kind of way back to after the jobs act had past. A lot of people were coming to me and asking for information advice on how to get access to new capital that was afforded by this new regulation such as a credit investor or none accredit investors through crowd funding and I saw all of these platforms that were just starting out and leveraging those regulations come to life and attract investors and so I got exposed to that side.

I've seen real estate syndicators who work with Groundbreaker with existing relationships of investors and how those investor bases have grown and so there's a lot of different ways but really, my advice would be specific for people who are just starting out. Typically, you're going to go to your friends and family and you're going to do deals with them. What I would say is you can shoot for the moon and try to do deals that are going to stretch your capacity but I would say, make sure that the return of capital is going to happen quickly, the faster that you can give investors back their money, the faster you can pay them, the faster you're going to build trust in a repeatable process that's going to get t hem talking about you to their friends and referring you to more investors.

[0:03:38.4] WS: I was thinning too about from your REIT experience and having to do those things manually kind of led you in to automate those stuff and using your background to be able to build a platform that can automate a lot of that and then going from doing it manually to having something like this, you know, like some type of software. Was thinking about the investor like, what's that relationship, how's it going to be different or better for that investor?

[0:04:03.0] JM: Well the investors, my clients would tell me when they roll out Groundbreaker and see the value for the very first time when that investor logs in and the answer, one of their own questions about how much investment they have out or what distributions they've gotten back or getting their K1s from the centralized portal and how easy and convenient that is for them. And they just like having everything all in one place.

But then there's also the times, the aha moment that are real estate sponsored to get and who use us. When they put a deal out to be able to raise capital, they're having dinner with their family and they wake up the next morning and the deal has been funded 80%. And they didn't have to answer a single phone call or email because their investors could sign and fund on their own from within the portal. Those kinds of things definitely are better for both people because there's reduction of that manual process in the middle where a human being needs to be involved, instead we replace that with software and there's just less friction, more transparency in the process.

[0:05:08.2] WS: I know there's operators that are listening right now who just like us in the past have mailed documents and there's always some of us who just don't use a computer or maybe hardly ever or ever have, you know? It's difficult, right? If you send them a document, it's just difficult to explain how to fill out documents, sometimes it knows things. Something like this, you know, tell me about user friendliness I guess I could say for an operator like that?

[0:05:32.5] JM: One of the things that we do to make it very easy for operators to get on board is a solution and also be able to share it with their investors and scale is that we take all the resisting data from their K1s, their subscription agreements, they're offering memorandums and distribution notices and there are reports that they share and we bring it into the software for them so when their investor logs in for that very first time.

They're going to see the entire portfolio represented up to present and that is going to create this insane effective appreciation of having all that information in one place so the investor's more like come back than use that solution again and again. And same thing for the syndicator and then we just make it very easy to use so it only takes a little bit of time to be able to do certain things in Groundbreaker because the workflows are made to be simple and we came from the real estate world and we know that traditionally software, it's hard to buy, it's hard to evaluate and often times, more often than not, it's not exactly what you thought it was when you get it. We just are looking ahead of that and trying to make the application complete and easy and you know, not over-promising what we can provide.

[0:06:42.7] WS: That leads me into what are questions that we should be asking, maybe even talk to you before but many other software providers, you know, because obviously there's been numerous that come up recently and it's hard to know, I don't always know what questions to ask when I'm entering this new thing that you haven't seen before. What are some things that as we are going down the list of software providers, what are some things that we need to make sure we keep in mind and questions to ask?

[0:07:10.6] JM: It's very important that you just understand how you're going to use the application, what is your status quo look like? What does your business look like today? What parts of that business are you going to transition to this all in one investment management software? How complete of a transition are you willing to make or that you intend to make? So that you can understand when you walk through each workflow, what is it that you're going to leave behind and what are you going to get in exchange for that?

I talk to a lot of people who might use ActiveCampaign or HubSpot as their CRM and now they're looking at evaluating an investment management software that might have a CRM. There's the question of okay, well, how am I going to use both of these systems or what features am I going to leave behind that I'm going to get in this new application where all my data's going to reside. Or, what document, file sharing system are you currently using now if any and how is that system going to perform when you get this new software payments? How do you pay your investors now and how is the software going to help to support the calculation in sending those payments.

Same with sharing deals with investors, do you use DocuSign and send investors a link with the Google Drive link and give them access to information? If that's what you do, maybe that's working for you great right now and when you get this new process, how are your investors going to have to adapt, how are you going to have to adapt to that new process?

Just really understanding how you work, you might also have other people that you work with and you might want to give them access to certain information, so being able to understand how that process works and how you're going to onboard them into the application. It's just better knowing your business and going through each workflow, helps somebody to understand what they're getting into and how their workflow's going to transition?

[0:08:51.1] WS: Nice, ultimately, it makes so much sense, we need to know what we need first, right? We need to know how we're going to use it and I guess ultimately, when I'm talking to somebody like yourself like I don't always know either what the software can do. It's like a big learning process but you mentioned like where are you going to transition to this software? And that was hard for me to think about as well, you know?

If we have – especially a larger online presence and you know, there's a lot of stuff happening, it's a lot to transition, especially at CRM, it's a lot to consider but being able to automate the paperwork was just like, it's life-changing almost, you know? Life changing. How easy is it on the operator side, say to setup a deal like that and to setup the paperwork and things like that to get this deal rolled out to investors?

[0:09:38.1] JM: Yeah, in Groundbreaker, you're going to offerings, you create a new offering, you fill out the holding anonymity name with the EIN information and you start the deal name and start to describe the deal, you can add whatever color you want, which you typically see in an offering memorandum that you build in Microsoft word or PowerPoint, You add your documents and images and then you can preview the offering when you're done, building it in ground breaker and see what it would look like for the investor.

Yeah, then you save it and then it's pretty much done, you can set the subscription terms and you can do a few other fancy things in our solution but that's pretty much it and then you'd be able to add the investors that you want to share it with so using our CRM, you select which

people you're going to add to the deal and then you can write that email to the investors using our merge email template and you're good to go. It can be a pretty smooth process and we would typically take somebody through the first time and show them the ropes.

[0:10:36.4] WS: Nice. What about just like the branding? Is it going to look like it's our company's portal, you know, when somebody – investor logs in and things like that?

[0:10:46.6] JM: Actually, we don't show up anywhere on the portal, we make it look fully branded to the company that's working with us. Just imagine your marketing website and you've got your header, you got home about us, and FAQ, contact and then you'll have investors and when somebody clicks that link, it will pop open a new window and in the top left corner will be your company's name and then in the URL will be investors dot your company's name and you'll have your contact information for your investor relations team. Big image of one of your assets on the side here and a log in for your investor to get in.

[0:11:21.8] WS: Nice, what questions do you get that are common in the industry that you know, that people want to know about the software or just how it works, it doesn't even have to be specifically about Groundbreaker but just things that are common concerns in the industry.

[0:11:35.6] JM: Well, one of the things that I get a lot is people asking about limits on the software Can you have a certain number of deals or people or seats that is a very frequently asked question and we actually don't have any limits at all on our software. So you can use it for as many holding entities as you like, as many deals and as many investors. There is no limit on file quantity size or anything like that.

[0:12:01.0] WS: So it is just one flat fee for everything or there are different ways to calculate what you need?

[0:12:07.8] JM: As far as our pricing goes, we don't limit access to the software in any of our pricing but our pricing is based on how much equity you have under management and by the time you are watching this video, you will see a new pricing page on groundbreaker.co.

[0:12:21.5] WS: All right, so what other questions do people have other than just like?

[0:12:25.1] JM: A lot of people ask about the on-boarding process and timeline I think because many different companies have different process of doing this because we import all of the data into the software for the company. We take around 30 days to do it. Some companies might not import your data at all or some might take shorter or longer periods of time. So we also get asked quite a bit about integrations too things like a lot of people –

Like I mentioned earlier, using outside CRM's and different tools that they want to see how those integrative of process and my answer for that is we're working on it at integration right now at Zapier, so we can allow people to be able to do that in the future.

[0:13:07.1] WS: What are some common things that would be helpful to be able to integrate?

[0:13:10.4] JM: Well, so here is a great example. You are on the show and in every way when you produce content and you are out there on LinkedIn. You are talking to perspective investors who are getting associated with your brand through some of the content that you produce and they need somewhere to go so that you know who they are they can tell you that they are interested in your brand and following up on your offerings perhaps, at some later date.

So you're storing that data somewhere but it is probably not going into your investor management software. Because they are not ready yet to be investors and legally you can't share certain sets of information with them until you have a certain number of interactions with that investor. So you have to store it in some place and so getting that data from that initial place where you are getting it and getting it into your investor relation system some point down the road would be one of those applications.

[0:14:01.4] WS: Yeah, that makes complete sense to me. We have used Zapier for numerous things but I haven't really thought about on the portal side like what we would be pulling into there. Well that makes complete sense if we are tracking say phone calls with investors for a long time before they actually decide to invest, they may not have a portal account at that time, is that right? Until they decide to invest.

[0:14:21.8] JM: Yeah, exactly. Maybe they just may live in a CRM where you are taking notes on the relationship and logging all the activities and then at a certain point, you are going to invite them to one of your offerings and that is when you'll create an account for them and get them onboard.

[0:14:36.0] WS: What would be the normal or typical onboarding timeline?

[0:14:40.4] JM: 30 days.

[0:14:40.9] WS: Okay and at that point we can be using the CRM side for investors who have invested and the investors can log in then or at least have an account of their own?

[0:14:50.3] JM: Yes.

[0:14:50.7] WS: Well how do they create their account?

[0:14:52.6] JM: There is two ways to do it. One would be that when they're on your investor portal landing page and they can see the log in screen they could go click on "get started" button and they fill out a sign up form. So you can actually do when you are prospecting with investors because it doesn't share any sensitive information with them. It just gives them an account and at that point, you'll be able to see a new sign up in your database and you can decide if you want to share an offering with them.

And then the other way is that you create somebody's account, maybe you meet them at an event and then you put in their information and then send them a portal invite and they can set their own password.

[0:15:29.0] WS: I know one concern I have heard numerous times is just like security. The security of all the investor's information and things like that, all these documents that they are signing and how do we keep all of it secure?

[0:15:40.9] JM: Well, so one of the ways is just to make sure that the company that you are working with has security practices in place that they have thought about that before. A lot of

people might not even know what they are talking about when they ask these questions but just being able to ask them and know that the company has a response is important, things like encryption in transit, encryption at rest. I think one of the most important things is just that making sure you have redundancy in place for your own users.

So the easiest way for some information to be compromised is through social engineering. It is not through a hacker figuring out some vulnerability in the code. It is really through somebody being close enough through one of your investors or you to guess your password and get access to your account. So we have two factor authentication as another layer of security where you are going to get a text message to verify your identity before you get access, even if you had your password entered correctly.

[0:16:37.4] WS: So you are saying that me or somebody on my team are really the weakest link in the security side.

[0:16:43.2] JM: Yeah, I'm just saying that against you for any reason.

[0:16:47.2] WS: No, I know. Yeah, I am just kidding but kind of.

[0:16:50.4] JM: You work in government so you should know a little bit about that.

[0:16:54.1] WS: It's good to think about though, right? I mean you got to think about who you are giving access to these platforms no doubt about it. So I guess tell me about that, can we give our team access but maybe there is parts of the system that I want everybody to have?

[0:17:08.4] JM: Yeah, so you can definitely give people access. We are working on making the permissions a little bit more granular and Groundbreaker right now. So it is not set up to have a tremendous amount of control over access at this point but we are going to get there in the near future to be able to do that and we would love to be able to support having multiple sponsors at once who are co-GPs on a deal have their own list of investors.

[0:17:34.9] WS: Yeah, so that is something that you are working on?

[0:17:36.8] JM: Yes.

[0:17:37.5] WS: Awesome, I know they'd be a lot of people that would love to be able to do that and what about even integrating with I don't know if this would ever work or not but even integrating with other platforms that are similar if we want the operators online and co-sponsors on another, I am sure it would be nice if they could integrate somehow but I don't know if that would ever happen. What do you think?

[0:17:57.2] JM: That is like the next frontier I think if these companies that are doing investment management software open up their data or provide an API in some way than you could be able to pull that into one source and I am sure — I have heard that from a lot of investors actually. A lot of LPs that want to have all of their syndications in one place. Because they might have log ins to three or four different portals but they have no place to get all of that information just from one source and it is very hard for us to provide data and collaborate with other groups. So you have to have everyone collaborate.

[0:18:33.7] WS: So Jake before we move to just a few final questions what else do we need to know about Groundbreaker?

[0:18:38.5] JM: Well anybody who's found this conversation helpful who is thinking about getting a solution, if you are scaling your business or you're trying to transition from a very manual way to a more automated tech way, you can get in touch with us at any stage where you're at whether you are just putting together your first deal or you are figuring out the legal docs or it is a question that's completely unrelated to Groundbreaker and we would love to help. So yeah, you can come to our website, which is at groundbreaker.co and find us and get in touch with us.

[0:19:09.3] WS: Awesome, all right I got a few more questions before we jump off. What's a way you've recently improved your business that we could apply to ours?

[0:19:16.0] JM: Well, yeah that is a great question. Thanks for asking. Anybody whose building a company, it is very important to understand what it is that you want out of your team. That is one of the things I have learned recently and improved the company is figuring out what kind of

team we want to build, what kind of company culture we want to have, what are our values, what do we really care about and being able to define those very clearly and know what they're not and telling yourself what they are and based on what they're not. You'd be able to get a lot of clarity and once you are able to do that the right people will come to you and you'll be able to find incredible people to put on your team to be able to get your business to the next level because it doesn't happen alone.

[0:19:55.1] WS: Love that. I noticed how you said to know what they're not, instead of what they are.

[0:19:59.6] JM: Sometimes it is easier to know what they're not. Through trial and error.

[0:20:03.6] WS: Is there a resource that you use to help get that done?

[0:20:06.9] JM: Really it is through personal experience and just making mistakes and learning but you can also rely on Saastr for anybody that is into software, saastr.com. They produce a lot of really great content for business owners and for entrepreneurs. Yeah, I guess start there and if anybody has any more questions they can always come to me.

[0:20:29.3] WS: Sure, what is the number one thing that's contributed to your success?

[0:20:33.2] JM: If I had to pick one, never giving up.

[0:20:35.7] WS: That's important no doubt about it. What about –

[0:20:38.0] JM: You can't succeed if you give up so.

[0:20:39.7] WS: That's right, you definitely fail then. Is there something that instilled that mindset in you?

[0:20:45.2] JM: Well I just think that family values from a very young age being told you can achieve anything that you want to achieve and just go after it and be persistent and seeing the example of other people around me that did that.

[0:20:57.4] WS: How do you like to give back?

[0:20:58.8] JM: I like to help other entrepreneurs honestly. I like to be able to make whatever amount of limited time that I can make a big impact and giving advice or teaching somebody mistakes that I have made. So that they can improve. That is really how I do that and how I give back these days is through mentoring and advising other business owners.

[0:21:18.7] WS: Nice, Jake I am grateful for your time today on the show and I am hoping that the listeners are better prepared for the conversation to figure out the platform that they are looking for. But tell them again how they can find Groundbreaker?

[0:21:32.5] JM: Thanks Whitney. Thank you so much for having me on the show, I really appreciate it. Yeah you can always go to groundbreaker.co and get in touch with us through there.

[END OF INTERVIEW]

[0:21:40.3] WS: Don't go yet. Thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

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