

**EPISODE 1234**

[INTRODUCTION]

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**Kevin Heras (KH):** Our vision around this is very much creating efficiency and the efficiency that you might see similar to the public markets when you think about investing in the stock exchange, you invest dollars and those dollars go and things are handled, and so really, we kinda see that as an opportunity in this space is creating more efficiency so that, again, sponsors even if they're just getting off the ground for the first time, have the infrastructure to start spending up their syndication, start garnering investments from their investors without a lot of legal ethics

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**Whitney Sewell (WS):** This is Your Daily Real Estate Syndication Show, I'm your host, Whitney Sewell. Today, we talk about some tech that has made my life so much easier in this business, but it's also given us a professional presence with our investors, has helped ease the process of investing with us, for our investors, which if you are raising money, that should be one of the top things that you're working on all the time, and we are always trying to improve that process. And this system, this platform has helped us with that more than anything else. And so today we're talking to the co-founder of InvestNext. His name is Kevin Heras, and he's the co-founder. It is a software platform that modernizes the way real estate indicators investment firms raise and manage capital.

So, prior to InvestNext, he was the employee number two at the college career network startup called Handshakes. You've probably heard of that. So, he was very early in that process, and he's working out and he did that, and now he saw an opportunity to build his own platform, right? And he and Michael, another co-founder, which I've got to know, it's just been incredible to see the growth at this platform, but he's gonna go through some of that today, but he's gonna talk about even starting a business and even connecting with a billionaire and this billionaire investing in their platform. And I know there's gonna be some things together you can take from for your syndication business. And building teams and when to hire people and how to think about that, and then some new things about InvestNext.

You'll hear me talk a little bit about how we use it. If you're considering a platform, I strongly consider you or would push you to check it out, but you're gonna learn a lot from Kevin today.

[INTERVIEW]

**0:02:11.0**

**WS:** Kevin, welcome that to the show. I know you are head of a business that we are directly tied to, and it's helped us in a massive way, I'm looking forward to getting into that, and just what that is for listeners who do not know you or have heard of this platform before, and I know just as an entrepreneur and in this business, you have learned so many things that we can just glean from you, and there's a couple of different things that are so relatable to what we do, it's very interesting, but we're gonna get into that.

Give the listeners a little more about who you are, in case you don't know who you are and let's dive in.

**0:02:42.1**

**KH:** Yeah. For sure. So, I'm a co-founder in InvestNext and just for context, InvestNext is real estate syndication platform, so the whole point there is, if you're a syndicator or an investment group going on to raise capital, whole point is you're gonna have a portal to do that through, investors can go in subscribe, sign their docs fund their investment, so that's one portion of the platform, and the other piece of that is actually handling the downstream, so being able to manage the investors, distributions, reporting, etcetera, so really providing the end-to-end lifecycle for the investment in the syndication. So, that's the platform of InvestNext.

And then on my side, yeah, my background, I came a bit of, I could describe a little bit, my background from definitely came from tech, previous InvestNext, I worked at a consulting firm where we've implemented CRM systems, ERP systems, so I got a lot of exposure to very different industries, companies, all scales and sizes, so I've got that full stack exposure to what different business operating systems are out there.

So, that was kind of a career track, and then before that, probably more impactful piece in my professional life was my involvement at Handshake. So, Handshake, in context is a career network by form for college students, so it's kind of like the LinkedIn for college students. And

today they're a unicorn out in the Valley, Silicon Valley, and I was involved there where when it was a dorm room funded startups, I always call it Employee Number One, and got a lot of exposure to what it took to get a product off the ground from nothing pretty much out to the world and so, yeah, that stuck with me. I knew very early on that was, definitely wanted to get involved in building something, added value to kind of an ecosystem, or else it was just kind of like what I hurricane back to a lot of inspiration for what kinda drove the birth of InvestNext.

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**WS:** How did you find the or see, notice the opportunity to create something like InvestNext? How did you notice that there's a void here that I think I can go fill and commit to making that happen?

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**KH:** Yeah. It was a little serendipitous to kind of start. So, for a little context, I met my co-founder, Michael Gisi when I was at my day job. And so again, I say I was in the corporate track and then. So, this is pre-(inaudible) of InvestNext. He had been working on this project for a real estate investment fund, and really at the time, they needed a tool to manage the Investor cap table distributions, reporting, some very functional pieces to help streamline the investor experience, and so I got a stand-alone project, one-off project for this group.

And I said, I have known Michael for a while, and it was something that when it got rolled out pretty quickly, just observing him on the sidelines, we were, and I was kinda helping him, but we were starting to get feedback from investors saying, Hey, as an investor, I myself, I'm actually, I'm a GP in many cases, I have my own syndication, I would actually want this experience for my investors, so it was kind of a light bulb moment to say, "Well, what else is out there that's kind of helping this process?" And at the time, it's pretty limited.

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**KH:** And quite frankly, the tool of choice in the industry is, in many cases, today it's still excel, it's still shared files and folders, and so for us, the light bulb moment was it makes sense to create an actual platform to handle the entire life cycle of the investment syndication and obviously, bring professionalism to the space. That was very much the launching point of realizing that as a whole, there just wasn't many attainable options for groups in the space.

**0:06:34.3**

**WS:** Now, that's awesome. I just like seeing an opportunity and chasing it and seeing that this is an opportunity and committing at a massive level to go make it happen. Speak to the team building process. I'd love to get into a few other things too. Just to go to market strategy. Some of those things, and even the fundraising piece, where you connected with a billionaire, right. That invested with you all, and so I wanna get to that.

How did you do that 'cause that's, we're all trying to do that in this business. Right? How many billionaires can we connect to, but tell us a little bit about the first strategic pieces of the team building section and growing and moving forward to create something that's, man, turned out so well.

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**KH:** Yeah, when you first start off, there is what you might call grit involved, so there's a lot of bootstrapping and you're figuring things out, limited resources, and so you do take on as much as you can as an individual, you're learning a lot along the way, everything from product development to sales. And so, these are things that as you scale a team, you have the fortune of being able to segment out to actual people as they're joining on.

So, early on, very much, again, all hands on deck, figuring things as we go, but as we've scaled a big piece of that has been looking for people that are in effect a lot better than what you are, to say that, Okay, I'm not the greatest at finance or I'm not gonna run the books forever, so hiring an actual finance person, someone that actually knows the process a lot better it's, these are decisions that you make as you scale, so yeah, for us, it's been kind of understanding when is the right time to bring on the team member and then to what capacity they can help. I know to second piece there, how do we, I guess, how do we scale from getting to the place where we're at, where we're raising capital from Dan Gilbert and their investment fund.

Our story around that, it was very organic. So when we launched InvestNext, we were never in a position where we had to raise capital, so the nice thing about this is that we're a very sustainable business, we had customers that were paying and we're willing to pay for the platform that brought them value. So kind of, I would say it's very not as a traditional path as you would expect in the tech world where oftentimes you'll start with a concept, then perhaps you might raise capital and really through the initial phase, you're trying to refine your go-to-market strategy and obviously get to a point where you're actually generating revenue, on our standpoint, that we were

already generating revenue, we are very, really strong there financially, so it was more of an organic approach of the group that Dan Gilbert runs here, being local to the area, they heard about us through the network of customers and so forth, and so just our written track record and what we had accomplished to date is a very small team, was enough to say, "Hey, we believe in what you're building in the long-term vision here." So, no magic to it, except we were very much executing and building out as we went.

**0:09:37.5**

**WS:** I think it's interesting that you all as a software business, you were cash flowing, and that just shows in the real estate business. It's like a deals that are cash flowing from day one, we consider stabilized potentially, or we want stabilized deals that are occupied at a certain level, right? But if they're cash flowing, we just assume there's less, we, I don't wanna say assume, but we do think there's less risk as opposed, if we're buying something that's 50% occupied or less, right? But it sounds like you are already cash flowing, that would make me feel better as an investor as opposed to just having the idea of what you all are gonna create and it not being created yet or much of it, you all are already functioning and serving clients and so it's neat that those investors could reach out to your clients as well and talk to them. I just think that, it was crucial.

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**KH:** Yeah. I think that's definitely a major piece that we've seen a shift on, when you really think about tech investing, tech ventures in this space as a whole, there's definitely more of a concerted effort on what is sort of the sustainable health of a company and how are the founders and the people running this, how are they thinking about the long-term and being very practical about their growth, and you've definitely seen other phases in maybe some historical context of the early boom of the 2000s where you saw a lot of, it was just kind of the gold rush, right, like investing left, right, and center for a very conceptual tech companies a lot of them kind of flared out, so I think there's kind have been a wiser approach and in many cases, different attitude, and so that really, on our side, we were gonna build value and we were gonna prove that value, and in many cases are remaining very practical about our approach to the market, and again, sustainably being revenue positive, so we always wanted to have that scope on how we're building the business.

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**WS:** Speak to, you talked about the team building quite a bit and just the keys as so important, it don't matter what kind of entrepreneurial path you're on, it's so much about your team, how did

you know when to hire the first few people? I remember we've been using InvestNext for two and a half years or more, and it's like you were on the first few calls with us, right? You and Michael, maybe just you two at first, I can't remember. You know that you started adding team members, right, and you're not on those calls anymore, and actually I'm not on the calls either at this point, 'cause we've both grown a lot, but how did you know when to hire the first person and you talked about knowing what they could do or how many roles can they fill. Walk through that just a little bit.

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**KH:** It's kind of like a question of capacity, it's very much contextual, so us hiring our first person, it really came about as a very practical problem to solve. To say that, "Okay, we've onboarded our first cohort of customers, and as a team of two or three, we can definitely handle those customers, manage the day-to-day and ensure that everyone's supported and so early on, you can do the things that don't necessarily scale.

So, okay, I'll handle customer success and ensure that everyone's being properly onboarded, but eventually you do run into an inflection point where you're starting to realize you can't necessarily scale a continuous level, so you realize, "Okay, well, now we're worked into our second cohort of customers, and so we're gonna need someone that's dedicated completely to customer success," and so that's a very practical example of where we realized that we had a quite the volume of customers and realizing that as a team, we can't effectively serve everyone, so our very next logical step is, well, we need someone that's just fully focusing on that, even breathing, sleeping, that role, and so that was the kind of taking the bit of the timeline of how we decided that first hire, and that was important to us kind of building that customer experience.

**0:13:27.8**

**KH:** Another example of that is, there's major components to the platform where early on we're saying we understood that we wanted to build and enhance, and so one or two engineers can only do so much, and so from our standpoint, we had a certain target of saying, "We're gonna roll out X number of features within the next quarter, within the next year."

And so, in effect, we were doing some very concerted backward planning to say, "Well, in order for us to roll this out, this is gonna take X amount of effort to do that," and so if it takes this much effort then it's gonna take one or two additional individuals so we do, that was, again, another

very practical approach to saying if we're gonna meet our target, we're gonna need X number of resources for doing that, so very logical based, the fact that on the customer example is you're realizing that we can only handle X number of customers per person, so that means we have to bring on an additional person on the product side of things, again, we can only handle x number of features per contributor or per engineer.

**0:14:29.7**

**WS:** That makes a ton of sense, and I think it's so relatable to what we have done, and in our business, it's like even when we started with InvestNext, I think in the very beginning, it was mostly me using InvestNext and trying to learn. And it was a desire to better serve our investors, and it's like, okay, we did a lot of vetting and different interviews with different platforms, just said, "You know what, we think InvestNext is gonna serve us the best." We went with that, but it was me at first, and now it's hardly me at all, we have a team member that man, she just knows InvestNext so well, I mean, if I have an issue or if I need something done, or we're bringing on a new project, or our fundraiser, it's like she's it. It's not me anymore. And so, it's a matter of growth.

How did, say, 'cause I get this question often as well, it's like, "Whitney, I know I need a team, I know we need to grow, I hear that on so many podcasts, but I can't afford to hire anybody, like I can't afford to go out and just hire two or three experts to fill our team up, especially early on, and so how did you look at that and did you all just have the budget, did you already have enough clients to justify that, how did you grow into that financially as well?"

**0:15:33.2**

**KH:** That's a really good question for, especially for, again, early businesses that are scaling in the world, and again, just coming from the context of the world of tech billionaire tech company, very early on, you're gonna be bootstrapped, you're not necessarily gonna have the budget to hire full salaries and for us, the way we saw that was ownership. For us, it was to say that for the very first initial employees that we brought on, of course, we couldn't pay a market rate in many cases, but we were at the stage that, is to say that, "Hey, join our team, join our early team, have concerted ownership in the company, help build out what InvestNext is."

Definitely won't be the nine to five kind of cubicle job for sure. You definitely have many kinds of areas of influence as an early team member." And so that was our initial strategy. It was very much hiring those, call it, those super power roles in the sense that people that can be multi-faceted

and they can own certain portions of the business, and so we were definitely willing to give up ownership in the company to do that and that was, the reward there is, of course, people that join on, they're obviously very committed to the vision and the mission.

And so in that sense of ownership is a huge motivation piece, and it's something that we continue to this day, even as we hire on as we go on to 20-plus employees, everybody is gonna have some sense of ownership in the company, and we are trying to permeate debt for the foreseeable future, because at the end of the day, we think that's a huge motivation is to say that, "Hey, even knowing that I can kind of move the needle on the smallest piece that's gonna contribute to the company, and of course to that ownership and growth to that."

#### **0:17:14.4**

**WS:** I love that thought process because then you're hiring and you're cultivating entrepreneurial mindsets versus the job mindset just I'm clocking in and I'm clocked out, I'm not available. It's a very different mindset. I love that approach, especially when you're getting started, and maybe you don't have the funds to go higher, a bunch of qualified people, but potentially you bring value to somebody else that you have something they need, they have something you need, hey, well, let's just go, you give them a portion of the ownership and you can make it happen, right, and it's an abundance mindset. I love that.

And so, I wanna jump to the platform a little bit 'cause I want listeners to understand a little more about the platform in case they've not heard of InvestNext and yes, a full disclosure, we have used InvestNext for two and a half years, I think now are longer and we couldn't make it without it now. It does give us that professionalism with our investors, it gives, and actually, the listeners, I was looking at the show numbers a minute ago, you will get to hear Mike Anglo in a few days, and he brought this up two days after the interview with Kevin comes out how he was investing passively with an operator, and he loved the ease of investing as an LP, and he said and now he's a larger syndicator or becoming one and growing a syndication business, and he say, "You know what, I love that ease of investing and I want that for my investors too," and I said, "How did you do that?" Well, guess what? It was InvestNext, so I said, "Well, we use InvestNext as well," So, I love the process of having a platform like that, but I know there's some new features coming out as well, but I thought maybe you could speak to a little bit about the fundraising process and how that eases things for an operator like myself, and then let's jump into some on maybe a few of the newer things that's happening in InvestNext.



**0:18:58.6**

**KH:** Yeah, for us, one of our key objectives around the product is very much creating a frictionless process for the investment, and it's probably one of the biggest kernels overall, if you're raising a million dollars or 10 million dollars that the intent of that is you're trying to provide a seamless experience for those LPs and those investors. And in many cases, that's the stuff that speaks volumes towards how you are gonna be perceived as an operator, as a syndicator, to even as you're kind of building that brand, so they're very practical areas in which we're trying to solve that and going back in time, I mean, historically, the way people went out and raised capital yet as is manual, as you can imagine is talk to investor, investor gives you the nod and send them a subscription agreement, they might sign that, and so there's this kind of chain of emails and phone calls and things that kinda happened in between, and eventually, you send them the wire instructions and then they finally, you get the fun.

So, that's one investor that's sort of a pretty dragging process. so that's been the history of how the space is operating in kind of private placement and private investing. Naturally, at the very beginning, we realize this is, why can't we turn this into, call it an online shopping experience, right, you go and you click buy and things kind of start happening, and the money kinda flows, and so the fee is on our side and so we still have to build that. And today, the whole intent of InvestNext is that it's doing that, so as an investor, you log into your sponsors portal, you're gonna see the offering, can invest and actually view the full summary of that investment right from there and walk through the entire legal documentation process. Final piece there is actually funding that investment through the platform.

On the flip side, of course, the sponsor is gonna have full visibility and where the investors are and every single step of the process, and then of course, even as funds are arriving into your account, seeing that notification on your dashboard, as well as having that recorded on your cap table, your actual equity ledger. So, things that historically, there was a lot of sort of reconciliation, checking your bank account, making sure those funds match up to that investor. So again, just our intend with that is making that entire transaction as seamless as possible for the investor and then of course, is efficient as possible for the sponsor.

So, that was a major piece there and yeah, I can kinda speak to a little bit of a major reason for us really focusing on that piece is when we think about the real estate capital market as a whole we

think about this, called like the 17-trillion-dollar industry. And in many ways, it still operates in a black box, transactions are very kind of opaque, they're slow, and so our vision around this is very much creating efficiency and the efficiency that you might see similar to the public markets, when you think about investing in the stock exchange, you invest dollars and those dollars go and things are handled.

And so really, we kinda see that as an opportunity in this case, is creating more efficiency so that, again, sponsors even if they're just getting off the ground for the first time to have the infrastructure to start spinning up their syndication, start garnering investments from their investors without a lot of legwork ahead of that, so that's kind of a summary of what we built to date and really the focus there.

**0:22:31.3**

**WS:** Yeah, I know when we first started with InvestNext, I just loved the fact that, that we can do a distribution through InvestNext, and the investors can sign up for ACH payments, so they can put in their banking information and we click a few buttons and it's on the way to their account, they get it, so I love all the positive touches as well, and to think about this, if you're an operator, especially if you're newer in this industry and you're building your brand, this just gives you such a professional presence with your investor, but you hit the distribution button, will they get an email saying, "Hello Mr. Smith, your distribution is on its way from this investment," whatever it may be, and then they get another email that says, "It's arrived."

And so all those positive touches are so important in our business, and we do monthly distributions and investors love that by the way, if you're not if you're doing quarterly. I would strongly encourage you do monthly if you can, but if you're having to do all this manually, then, man, I can't imagine. Monthly payments, right? And I've sat with operators before and they have full-time staff, I mean numerous full-time staff that all they do is handle distributions, I mean, it's all they did, they're a large operator, I mean, this is just in a few clicks of a button like that's just done. It's all calculated.

But more recent thing, and maybe you've been doing it a year or so now or longer, I don't know, but I love that investors can invest through the platform, and so we purposely do not send out wiring instructions like through email, because of all the fraud issues, all those things. We make that very clear, you will, into investors, you will not receive wiring instructions from us, you will

have to log into the portal and do a secure portal to find that information and say, "You know you're getting the correct step," and then we still even encourage them to call us to verify it, but what I do love is that InvestNext, they can invest straight through the platform, we link the bank account, and it's done, they can do it, they can sign their documents right after they sign, they don't have to go find the information, they don't have to go call us, they don't have to go to anything, they can set up their ACH, or their account and fund it right there, so I just, I love that ease of process. And a bigger thing I love about that is the ease for the investor, right?

**0:24:32.6**

**KH:** Yeah. I mean, one of the things that you kind of address there was it's really around trust, and historically, the way this industry has worked is it's very much relationship built and based. And at the end of the day, you have to trust the people that you're working with, and the degree of trust is, again, historically, you really have to know that sponsor and you really have to have a good relationship there to invest. That has really created a scarcity of capital and access to that capital. The way we view this is being able to provide a transparent platform for investors to view the entire details of an offering view and understand that their dollars that they're contributing, again, not only functionally speaking, everything is securely managed and transacted.

But the flip side of that is understanding that who you're working with is leveraging a system of record to manage your investment, that it's not being managed in a hodge podge of Excel files or a mix of a back office tools, the whole point of that being that you are on a trusted ledger, what your investment is being tracked and that your returns are being automatically distributed back to you, that's a degree of trust you can establish with your existing investors as well as perspective investors, so from our perspective of how we're empowering, a lot of even first time operators, investment, syndications, that's our goal, is really being able to provide that infrastructure and layer of trust as they go out and you're gonna grow and scale their operations. So, as we think of it, technology plays a major piece in that trust.

**0:26:17.0**

**WS:** Yeah. You're gonna have to have a, say, your bookkeeper, financial person, somebody like that in your team to figure the distributions out and attract all that and create all these reports, and a system like this can just really do most of that for you, and in just a massive way. Kevin, unfortunately, we're out of time, but I love the platform. It has just helped us in a massive way, and I'm grateful to have you on and be able to share that with listeners, and I am not being paid

for, to have Kevin with us. We've used the platform a long time and couldn't make it without it. But Kevin on entrepreneurial thought or just as you've grown and in this space and in your business, what are some daily habits that you are disciplined about that have helped you achieve this level of success?

**0:26:55.2**

**KH:** I do spend a fair amount of time just educating myself, constantly being curious about the space, so I think that's just something that I've ingrained in myself, I'm always trying to stay current with anything that's happening in this space. So, just building the knowledge over time has been super critical on that side of things, I think more personally, and this is totally separate from kinda the career or day-to-day job, I really enjoy kind of spending time, obviously with family and keeping that connection piece there. I sense a lot of context as to what's important in life and just really coming to the day-to-day refreshed.

And then I definitely spend time exercising, I think that's a major piece, and actually a daily habit of me personally has been getting up pretty early in the morning, getting the day getting the day going, and with that, just kind of having that exercise routine as help personally, just kind of get the juices flowing, the mind ready for the day. So, I'd say within the last two years or so that that's become extremely ingrained in my day-to-day activity, it's really, really helped a lot in terms of the energy that I can bring to the day, so.

**0:28:07.6**

**WS:** Yeah, no. That's awesome. Up early exercising, it's such a common habit that successful entrepreneurs have, not every one of them, but man, more times than not, I hear that over and over and over, so, yeah, congratulations again. But how do you like to give back?

**0:28:22.7**

**KH:** Something that we're continuously focused is, we're so, for context, we're a company that is based in Detroit and for general, further context, the city itself is historically is badged to some rough patches. And for us, it is exciting to be a part of a shifting of change in the local area here, and we are very much focused on very much keeping the heart of the company here in Detroit, keeping the sourcing as much of the talent pool locally, and then getting involved with actual community type of developments and groups that are themselves not only generating developments for the city itself, buildings, multi-family commercial pieces, but the other piece of

that is making it sustainable for the local communities here, so we're, a big piece of that is us continuously partnering very much with those groups and just to our mission of being not only just democratizing the access to this space, but also just sort of the community building aspect that we've seen it on our side. And kind of bring it back to city.

**0:29:26.7**

**WS:** Awesome, Kevin, appreciate you giving back in that way, even to being so connected locally, even though your business is everywhere or people probably all over the country or remote workers as well, but let's just need to think about that and being connected locally. Grateful for your time today and just sharing about your growth as an entrepreneur coming from another software business and creating your own, seeing that need and just stepping out there and being willing to hustle and make it happen, the team building and who to hire, when to hire and even just parts of InvestNext I think listeners probably didn't know that we're out there now as an operator, especially newer operators that are probably not as aware of, hey, we get all this done in one piece of software and create that professional experience, all those things. Just grateful for your time. How can they get in touch with you and learn more about you?

**0:30:11.8**

**KH:** My direct email, Kevin, my first name @investnext.com (kevin@investnext.com), anybody can always reach out directly, and then of course, hop right on the website, there's everything from a little chat bubble, my face might even be on there, I might even respond in some cases, and then major pieces there, but up on our website or just email me directly.

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