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The Most Powerful Name in Corporate News

Credit Solutions for Small and Medium-Sized Businesses

Ethan Senturia - *CEO*

The Dealstruck lending marketplace connects profitable, small- and medium-sized businesses (SMBs) with innovative credit solutions funded by individual and institutional accredited investors. Unlike the one-size-fits-all approach offered to them by banks and the high-cost, short-term credit offered to them by alternative lenders, Dealstruck provides growing SMBs with a suite of products that give them a credible and transparent path to bankable. Dealstruck is the first crowdlending platform to offer multiple products to SMBs, and the first to allow investors the freedom to choose specific investments. For more information, please visit https://www.dealstruck.com/.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: ***Mr. Senturia, what is the concept at Dealstruck?***
Mr. Senturia: The concept for Dealstruck is to provide small businesses with fair and transparent financing and to help them graduate from high-cost, short-term startup financing options to conventional banking relationships. We do that by providing businesses with multiple products that are financed by a wide variety of investors, both accredited individuals and institutional.

CEOCFO: ***What are the traditional ways that businesses have been able to get funding and how does your model differ?***
Mr. Senturia: The first place most businesses turn when they need a loan is to a bank. The banks have a good product that is usually cheap, flexible and long-term, but it is also very difficult to obtain. The vast majority of small businesses in the US cannot qualify for bank financing, where the rejection rates can range from 50% all the way up to 90% depending on the size of the bank. This leaves many businesses without conventional financing options and forces them to turn to alternative lending. The typical alternative lenders are factoring companies and merchant cash advance providers. With factoring, businesses sell their invoices at a discount and turn them into cash, whereas with merchant cash advance, businesses direct a portion of their revenue or credit card sales on a daily basis directly to the lender. Those products tend to be very expensive – 30% APR on the low-end, but can range as high as 125% APR. They also tend to be very short-term, making it difficult for a business that must go the alternative route to find their way back to the bank. Our goal is to be a stepping stone in-between the two.

CEOCFO: ***What do you offer?***
Mr. Senturia: We offer two products today. We have term loans and lines of credit. Term loans are usually for upfront expenditures such as equipment purchases, opening new units, or hiring additional team members. That product tends to have a 24-36 month term with a monthly payment and we make loans up to $250K. The working capital line of credit also ranges between $50K - $250K, but allows businesses to have ongoing access to cash on-demand to fund working capital required in the daily operations of their business.

CEOCFO: ***How would a business qualify for your services?***
Mr. Senturia: Our target businesses are growing businesses that have at least one year of operating history, have a minimum of $250K in annual sales, and that are profitable. We're looking for companies that are "spiraling up" and where growth opportunities are giving rise to their need for capital. As long as a business is able to meet those criteria there is a decent shot that we are going to be able to structure something that meets its needs.

CEOCFO: ***Why have you decided that those attributes are enough when clearly banks do not see it that way?***
Mr. Senturia: I do not want to be misleading. Those are minimum criteria, so if you meet those criteria then you are in the game. But, we still will go through a more thorough review process before we actually make the loan. Notwithstanding, we are able to be much quicker, much more flexible, and much more aggressive than a bank for a few reasons. First, as a non-bank, we do not face the same regulatory constraints and compliance costs involved in making transactions of our size or type. The second reason has to do with our capital sourcing. Part of the beauty of Dealstruck is that we allow investors of all different types to provide capital to fund the loans that we approve. Because of that, we end up having

capital with a wide range of risk preferences, return targets, and investment criteria. This allows us to deliver properly priced capital across a broad spectrum of products and interest rates that truly reflect the creditworthiness of the business.

CEOCFO: ***Are the investors picking the loans that they will fund?***
Mr. Senturia: We allow investors to make selections surrounding the loans that they will fund and that is one of the key mechanisms for helping these businesses get properly priced capital. We also have some of our own investment capital to ensure that every transaction we approve will get funding even when our investors do not have appetite for the transaction.

CEOCFO: ***There are similar models so why should people on both sides work with Dealstruck as opposed to your competitors?***
Mr. Senturia: From the borrower side, we have a few key attributes. One is we have multiple products to meet both expansion needs and working capital needs. Most business owners can probably tell you that they need money, but they cannot always tell you why or in what form. Although somewhat counterintuitive, the truth is that a business that receives the wrong form of financing can actually end up in a weaker state after obtaining capital then they were in before. The second reason is around graduation to better financing. Our whole premise at Dealstruck is to help businesses build credit through fair, transparent, and affordable loans that move them to progressively better financing and, ultimately, graduate them into a banking or credit union relationship. Lastly, we realize that not every business owner has the same priority in terms of her finances. Some want it fast, but do not care about price; while others are price-sensitive, but have plenty of patience. Because we have a large group of lenders behind us and because we have flexible product, we are able to give the borrower what is important to them and work on their side of the table through the process.

> **“Our whole premise at Dealstruck is to help businesses build credit through fair, transparent, and affordable loans that move them to progressively better financing and, ultimately, graduate them into a banking or credit union relationship.” - Ethan Senturia**

CEOCFO: ***Do you have or will you be developing relationships with banks where your customers may move on?***
Mr. Senturia: Yes, we actually have relationships at the loan officer level. Not only are we developing partnerships to graduate businesses that come to us directly; we are also developing partnerships to pick up the declines and season them into bankable companies. We are seeing early signs of success with this and we hope to continue to build that out at scale.

CEOCFO: ***How are you reaching potential customers?***
Mr. Senturia: We reach customers in every way we can. The classic maxim with small businesses is that they are everywhere and nowhere at the same time. We know that we have to be good across multiple channels and we work on the phones, through digital, as well as through business development and public relations. We believe strongly in providing education and transparency to businesses about the financing process, so we do a lot of thought leadership and editorial contribution to give businesses the confidence and knowledge they need to navigate through their capital needs. We hope many of these businesses come to see Dealstruck as their trusted advisor and the trusted place for a small business to get financing.

CEOCFO: ***What have you have learned in your past ventures that is most applicable at Dealstruck?***
Mr. Senturia: Well, in my prior startup, we grew very quickly and we were quite profitable, but we could barely get any financing. We were balancing more than a handful of credit cards and could not even get a factoring company, let alone a bank, to provide us with working capital to keep growing. I have seen firsthand how challenging it is to build a business, and even more so when you cannot find the right kind of capital or any capital at all. That is what motivates me here at Dealstruck – to support entrepreneurs who take the hard road to pursue the dream of building their own business. Fortunately, I have the dual pleasure of building my own business, while at the same time being successful in doing so because I am helping other people build theirs.

CEOCFO: ***How long has Dealstruck been in business?***
Mr. Senturia: We have been around for about a year and a half. We have been actively in the market for just about six months originating loans.

CEOCFO: ***What has changed from our original concept?***
Mr. Senturia: The biggest thing we learned is that banks are actually good; they may be somewhat slow and stodgy, but the truth is that they have good products and most of them really do care about their business clients. Most of them want to do right by their customers. Unlike most of our competitors, we do not focus on disrupting banks; rather we focus on disrupting the alternative lenders. We see banks as complements and allies, and we are always thinking about how we

can help them be more impactful. That has been our biggest change in mindset along the way – that despite the headlines about people being upset with banks, the truth is for many small businesses the frustration is much more with the alternative lenders than it is with the banks.

CEOCFO: ***Why pay attention to Dealstruck?***
Mr. Senturia: For businesses, you go to the bank and you pay six or seven percent (but, you there is a high likelihood you will not qualify); or you go to the alternative and you pay thirty, fifty or one-hundred percent. There is nothing in the middle that provides a stepping-stone to better financing. That middle is a huge market – hundreds of billions of dollars annually – and is filled by the exact businesses that drive economic growth and create jobs. Dealstruck is filling that void with products that are flexible and suitable for growing businesses which is a win-win-win for the business owner, the investor, and the economy.

BIO: Dealstruck is a web platform that combines the best of crowdlending with the best of traditional finance to offer small businesses efficient service and innovative funding solutions that are fair, transparent, and affordable. As Co-founder and CEO of Dealstruck, Ethan Senturia leads all institutional and peer lending relationships and product strategy. Before founding Dealstruck, Ethan ran Internet marketing for a lead generation startup – Ampush Media – growing annual spend to $15M in less than two years. Prior to Ampush, he worked as a distressed credit analyst at Lehman Brothers and graduated Summa Cum Laude from Wharton Business School.

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