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## WHEN BROKERING GOT “TOO REAL”

by: SEAN MURRAY

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# Letter From the Editor



BY  
**SEAN MURRAY**

My apologies for the delay of the issue. Over the last six months or so, we had been alluding to a somewhat big announcement and much time had been spent elaborating at length about what it was and why we did it in this issue. It was a reality-style show filmed in the office of a real company. Our announcement was met with mixed reviews and we ultimately decided not to release it. The consequence of that is that this issue had to be completely redone, more than two months of work scrapped and replaced. I wrote a little bit about the show anyway in case you're wondering what it is I'm talking about.

I don't regret trying new things. This industry was built on disrupting the status quo.

—Sean Murray



# WHEN BROKERING GOT "TOO REAL"

By SEAN MURRAY

This issue was severely delayed. Please accept my sincerest apologies. For two months my editorial and content team labored to create a fantastic edition that heavily discussed the debut of something that never ended up happening. *deBanked* had announced the release of a reality-style “show” that took place inside the office of a small business funding broker shop.

The time and costs to produce it were enormous, the concept revolutionary, and the reception... well... controversial. Within 24 hours of showing a preview clip of what was to come, I got a phone call from someone that was less than thrilled. Then another. Then another.

Nobody had seen the series yet, one that presented learning opportunities, insights, and at times, entertainment for good measure, but it didn't matter. The world wanted to know “why” we had even contemplated something like this.

On September 1st, I answered that question on a livestream of *deBanked* TV where I made my case for how readers connect with, remember, and learn from content, all based on firsthand experience of running a media company.

Self-made “reality shows” have already become somewhat of a staple in the industry over the last few years. Dozens of brokers have Youtube channels, Facebook Lives, and Tik Toks that document the day-to-day of what it's like to work in their field. Sometimes they're funny and sometimes they're helpful. Others are ridiculous. These videos are being pushed out to thousands of people every day; to their friends, peers, competitors, and yes... even to regulators that oversee the fields they operate in.

Ours was simply just going to go on our own website, a handful of videos to complement the growing library of more than 500 that are already on there.

Large swaths of Gen Z and Millennials fashion themselves the stars of their own daily reality shows through stories and posts they upload online from morning to night. Everything that is ever done is basically all done on camera in some form or fashion, from dash cams to smart phones. What's on ABC or Fox is becoming indistinguishable from Hulu, Twitch, Facebook Live, Youtube, Instagram, and Tik Tok. The youngest folks in the workforce oftentimes don't even have Cable TV and can't watch what the older folks consider to be “TV” in the first place.

I am reminded of Ryan Serhant who spoke at Broker Fair in 2018. He was an aspiring actor turned successful real estate broker by a reality TV show. Serhant has told aspiring salespeople who want to be him that he made at least a couple big mistakes early on that almost derailed his career, but he got back on track and is now one of the most successful, famous, and respected brokers in New York City. On Million Dollar Listing New York, Serhant doesn't always end up the victor. He suffers failures too. Sometimes he screws up. The public appreciates the realness of it and his desire to continue elevating his skills and practices.

*deBanked* withheld release of the show given some of the feedback, even though the vast majority communicated their positive reception to us about it in private. That was our choice to make and it has not changed.

Some of the feedback dwelled not so much on the “what” but on the “who.”

For more than 10 years we've collected input from funders complaining about things brokers do wrong. Consequently, *deBanked* helped to produce the only official MCA training course that ever existed, a video course on the Basics. One need not wonder whom such a training aid was geared towards. It certainly wasn't the polished vets in the space.

Appreciated as a step in the right direction by the industry at large, we were further advised that there should be something more, perhaps even a “hands-on” type training or assistance that *deBanked* should spearhead that is “in person” or “on video.”

We heard you.

I continue to believe in the importance of communication and aid with younger, newer entrants in the small business finance space. That is probably the best time to mold their minds and capture their attention.

Imagine a world where someone like myself walked in to sit down with the newest generation, in a situation where there was room for improvement. Now pretend you could watch it happen. It made sense to me. Others disagreed.

Anyways. Sorry for the delay. I hope you enjoyed your summer.

# The Money in NFTs

By SEAN MURRAY

Would you pay \$1,500 for an autographed Derek Jeter baseball card? What about an NFT? On Autograph.io, Derek Jeter “signed” Non-Fungible Tokens fetched as much as \$1,500 a piece. That’s for the “Ruby” edition. The “Carbon” edition only cost \$250. *deBanked* later saw a Ruby edition listed elsewhere, for resale, for \$30,000, but it’s unknown if there were any takers.

The entire concept of an NFT, a blockchain-based record, is exciting and confusing collectors all across the globe. In late August, somebody paid \$1.3 million for a clip art picture of a rock. A rock...

Meanwhile, payments conglomerate Visa paid \$150,000 for a clipart photo of a “cryptopunk” around the same time. Visa’s Head of Crypto, Cuy Sheffield, said “We think NFTs will play an important role in the future of retail, social media, entertainment, and commerce. To help our clients and partners participate, we need a firsthand understanding of the infrastructure requirements for a global brand to purchase, store, and leverage an NFT.”

Sheffield also said it was about “signaling their support” for “creators, collectors, and artists” that are driving the future.

“NFTs have the potential to become a powerful accelerator for the creator economy and lower the barrier to entry for individual creatives to earn a living through digital commerce,” Sheffield added.

These eye-popping prices then are justified because they’re supposedly not just images, but NFTs, the wave of the future. But what is one actually getting?

In a *deBanked* TV livestream, co-host Johnny Fernandez saw the prices of the signed athlete NFTs and automatically assumed that the digital version was just a placeholder for a physical version that would be sent to the buyer in the mail later.

“Wait, you mean you don’t actually get anything physical?” he expressed with shock on air in real time.

The Ruby edition of the Jeter NFT says that it “includes Derek Jeter’s authentic signature, signed individually and personally by Derek Jeter.”

Fernandez was quick to dismiss the authenticity of something that couldn’t be held. Nevertheless, More than 10,000 digital Jeter collectibles for a total of \$800,000 have already been sold, according to Sportico. Jeter is joined by fellow athletes Tom Brady, Wayne Gretzky, Simone Biles, and Tiger Woods.

Visa sees this as the future.

“Imagine discovering a new musician online,” Sheffield said. “You purchase an NFT of their album art, which can simultaneously serve as a piece of art that you can display online, an entry into an exclusive chat group where you get to connect with other superfans, and a backstage pass for an upcoming show. Ownership of the NFT could also unlock exclusive memorabilia, whether ‘air dropped’ into the owner’s wallet or rewarded after certain behavior, like making a purchase at a specific store.”

Visa has reason to keep a close eye on this market. Paying for goods and services in crypto poses a massive threat to their payments business which virtually the entire world relies on to manage the flow of money.

“Enabling secure commerce is what we do — we’re the network working for everyone — and that extends to new forms of digital commerce that unlock access,” Sheffield explains. Visa was vague on the role it could play, even as it definitely wants one. \$1 billion worth of NFT payment volume was transacted in August alone, up from \$100M in all of 2020.

But there’s a dark side to NFTs. The mantra of crypto and private keys has created a false impression of “ownership” in that if you have a crypto wallet, you alone own the contents of what’s inside, all of which is forever validated and confirmed on a blockchain.

“People are getting robbed,” said Serbian artist Milo Rajkovic to the Wall Street Journal. His situation, detailed at length, presents a troubling problem. Someone he doesn’t know had converted his own artwork into NFTs and put them up for sale on an e-commerce site for as much as \$50,000.

The seller didn’t have the rights to the images in question even though the blockchain is supposed to imply that they do.





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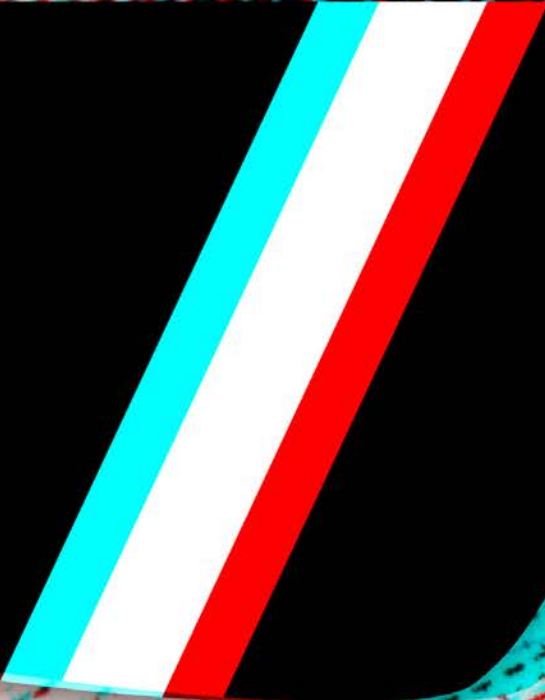
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**NAAT**





While Rajkovic was able to get the sales listing taken down, he said a new illicit one popped up in its place.

Famous street artist Banksy has also become a victim. Someone purporting to be him sold \$900,000 worth of NFT artwork to unsuspecting buyers that assumed it was coming from the real deal.

“In the old days, guys would actually have to fake the art, but now they just have to be able to hack the image file,” said Robert Norton, chief executive of Verisart to the Wall Street Journal.

The truth is, it’s even easier than that, as *deBanked* learned through its own NFT minting experiment. There are no checks and balances in what one turns into an NFT. Nobody is checking to make sure that the image in question is legally or legitimately owned or created. Decentralized blockchains create this environment on purpose. As a result, anyone could mint an NFT of The Mona Lisa and write into the metadata that it was digitally authorized by Leonardo da Vinci himself. Had he not died in 1519, the public would be forced to ask the artist to determine if it truly came from him or not.

“When we invented non-fungible tokens, we were trying to protect artists,” wrote Anil Dash, a writer for The Atlantic, “But tech-world opportunism has struck again.”

*deBanked* minted four NFTs via the Ethereum blockchain, all images for which it owned the original rights to. Once a smart contract is deployed, minting an NFT is as simple as typing in the URL of a picture file (any picture file in the whole world) and hitting a button. It costs a little bit of Eth in network fees, but that’s all. The NFTs can then be held, transferred, or sold. Anyone doing their homework would see the contract and digital address that originated them, but they wouldn’t have any way to know if it was legitimately *deBanked*’s without contacting us directly.

“I don’t want these things on my phone,” said *deBanked* TV co-host Johnny Fernandez. “I want it mailed!” Referencing sports memorabilia yet again, he stressed that the magic of an item is the experience behind it, the memory of meeting the athlete, or that they used the souvenir in a real game.

The athletes on the other side have formed a different opinion. “We created Autograph as a way for fans and collectors to own a piece of iconic moments in sports and entertainment through authenticated and official digital collectibles,” said famous NFL quarterback Tom Brady, “and we are just getting started.”

# Choosing a Merchant Cash Advance Accountant

Below are excerpts of a video interview between deBanked and David Roitblat, the CEO of Better Accounting Solutions that is available on deBanked TV at: [debanked.com/tv/?v=583398917](https://debanked.com/tv/?v=583398917)

**Q:**

**deBanked/** Why is it important for an accountant to have knowledge of this specific field?

**A:**

**Roitblat/** That's a good question. Because many, many accountants from very nice firms that I've spoken to in the past, do not get the difference between an advance and a loan.

There are two ways of calculating or recognizing income. Technically you can do like seven ways of recognizing income for a funding company, but there are two main ways of recognizing income and what we call cash and accrual for the MCA space.

Before anybody hires an accountant or bookkeeper, they should always make sure that they understand the principles of accounting. And the reason why that's so important is that when you book an item, in QuickBooks, in a CRM system, eventually that ends up on the income statement and balance sheet. If you book the item wrong, you're going to mess up the income statement and balance sheet. If the person you're hiring understands accounting principles, they're not likely to make those same typical bookkeeping mistakes.

You [also] want to make sure that whoever you're hiring understands the difference between a loan and the difference between an advance and all parts of that. They have to understand the industry as a whole, to understand how syndicators want to see their reports, they have to understand how hedge funds want to see the reports, and how a typical investor wants to see the reports, and then of course, they also have to understand how the owner wants to see the reports.

**Q:**

**deBanked/** How important is it to have a good accountant?

**A:**

**Roitblat/** It's super important that you have a good relationship with your accountant, with your legal team, that you're set up properly from day one. So, if something happens, you're protected.



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# INDUSTRY NEWS

- 6/25/21** The Federal Reserve Bank of Boston said that the digital asset Tether now poses a risk to all short-term credit markets
- 
- 6/30/21** FINRA said it fined Robinhood \$57M and ordered the fractional share trading app to pay \$13M in restitution to retail investors locked out of trading during the GameStop craze in March.
- 
- American Express partnered with Better and Rocket Mortgage for customers interested in home loans.
- 
- 7/1/21** Robinhood filed for an IPO
- 
- 7/2/21** Unemployment ticked up to 5.9%
- 
- 7/6/21** National Funding hired Benjamin Flowers as CTO and Luca Marseglia joined as VP of Data Science
- 
- Yes Lender, a funder based in Pennsylvania, acquired Edge Funder
- 
- 7/7/21** DataMerch, the bad merchant database company, surpassed 50,000 records
- 
- 7/7/21** Expansion Capital Group surpassed \$500M in SMB funding since inception
- 
- Idea Financial closes on \$84M warehouse facility with specialty finance division of Synovus Bank and Hudson Cove
- 
- 7/13/21** Inflation climbed as the consumer price index rose by 5.4% from a year earlier
- 
- 7/14/21** Dogecoin creator Jackson Palmer said that cryptocurrency is a scam
- 
- The Fundworks completed the refinancing of its capital structure, representing a capital raise of up to \$70M
- 
- 7/19/21** In Canada, Merchant Growth acquired Company Capital
- 
- 7/26/21** Bloomberg reported that Tether, the digital currency, is being probed by federal authorities for bank fraud
- 
- 7/27/21** The SBA announced it had awarded more than \$7.5B in grants to eligible businesses under the Shutter Venue Operators Grant program
- 
- 7/28/21** LendingClub announced Q2 net income \$9.4M and loan originations of \$2.7B
- 
- 7/29/21** It was announced that the US economy grew by 6.5% in q2
- 
- Balboa Capital announced 93% y-o-y increase in Q2 originations, hired 25 new employees
- 
- Greenbox Capital acquired Level Up Funding
- 
- 8/1/21** Square acquired Australia-based Afterpay for \$29B
- 
- 8/2/21** Velocity Capital Group became the first small business funder to offer commission payouts via crypto
- 
- 8/3/21** Enova announced \$400M in Q2 originations
- 
- 8/4/21** IOU Financial announced a wave of new hires and a new product, a cash-back small business loan
- 
- Square Loans announced \$627M in Q2 originations
- 
- Shopify Capital announced \$363M in Q2 originations
- 
- 8/10/21** Shark Tank's Kevin O'Leary announced a long-term investment and spokesperson deal for a crypto exchange called FTX
- 
- New York Governor Andrew Cuomo announced his resignation after being disgraced in a sexual harassment scandal
- 
- Coinbase announced Q2 profit of \$1.6B
- 
- Reliant Funding announced Steve Kietz as CEO
- 
- 8/11/21** Upstart announced Q2 profit of \$37.3M
- 
- Upgrade closed on \$105M Series E
- 
- 8/15/21** SoFi announced Q2 net loss of \$165.3M
- 
- Chime raised \$750M



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Ranking	Company Name	Growth
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1044	Capital Dude	463%
1221	Fountainhead	394%
2298	Bankers Healthcare Group	186%
2427	Fund&Grow	173%
2628	Channel Partners Capital	155%
2803	PIRS Capital	142%
2893	Central Diligence Group	135%
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3027	Nav	126%
3365	Onset Financial	105%
3394	OTR Capital	104%
3547	Forward Financing	96%



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