

Rent-to-Own a Domain Name for Your Business - With Adam Paddock

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<http://www.domainsherpa.com/adam-paddock-zenscrow-interview/>

Three messages before today's interview educates and motivates you.

First, if you're a domain name investor, don't you have unique legal needs that require domain name technical know-how and industry experience? That's why you need David Weslow of Wiley Rein. Go search for David Weslow on DomainSherpa, watch his interview and you can see for yourself that he can clearly explain issues, can help you with buy/sell agreements, deal with website content issues and UDRP actions, and even help you write your website terms and conditions. David Weslow is the lawyer to call for Internet legal issues. See for yourself at NewMediaIP.com.

Second, managing multiple domain name marketplace and auction site accounts is a pain. Inevitably, you forget to sign into one and lose a great domain...or worse. Now imagine using a single, simple-to-use and comprehensive control panel to manage all your accounts. That's Protrada. You can setup search filters, analyze domains, automate bidding, list domains for sale, and buy domains across all major marketplaces. Protrada also has a new semantic engine that builds Google-friendly websites with rich content and network feeds. Sign up at Protrada.com to get 20 free credits and start building and monetizing your domains today.

Finally, if you have questions about domain names, where should you go to ask them? The answer is DNForum.com. Not only is DN Forum the largest domain name forum in the world, but it's the best. You can learn about domain names and the industry, buy and sell domain names, talk about domain name news, and meet other domainers just like yourself. Register for a free DN Forum account and begin advancing your skills and knowledge today. And when you do signup, send me a friend request so we can connect.

Here's your program.

Michael Cyger: Hey everyone. My name is Michael Cyger, and I'm the Publisher of DomainSherpa.com - the website where you come to learn how to become a successful domain name entrepreneur and investor directly from the experts. We have all had a great idea for a business; and the most effective way to become successful with any business is to build a memorable brand that is easily recognizable and braced by your customers. This creates a competitive edge so, naturally, you need a domain name that accurately reflects your business and your branding strategy. But what if that perfect domain name is only available for a king's ransom and you cannot afford it outright? You know you need it; how do you make it yours? Well, if you were buying a car, or a house, or a physical building on a piece of property in your Downtown Town or City for your business, you would know what to do. You would go to a bank or financial institution to get financed. But what about you company's brand online? Today we are joined by Adam Paddock, Founder of Zenscrow.com, who has a solution to help financially match up premium domains and the people who want to build their businesses on them. Adam, welcome to the show.

Adam Paddock: Hi Michael. Thanks for having me.

Michael: Adam, in your words, can you describe what Zenscrow.com is? And let me start out by spelling it for the audience. It's spelled Zenscrow.com. So, what is Zenscrow in your own words?

Adam: Basically, it is a platform that secures and makes transactions that are basically seller financed easy and a hundred percent secure. So these are sales that are done over X amount of monthly payments; or leases. They can be leases with a balloon payment at the end. So, a lease with an option to buy. Basically, it is a transaction that involves some sort of payment over a monthly period while the buyer actively uses the domain. So they actually build upon that domain and use it for their business. Zenscrow is there to not only secure it, but to make the process easy for both, buyer and seller.

Michael: Okay. So that makes sense. So it is a seller financed opportunity to easily create an agreement between a buyer and a seller where it is a rent-to-own or a lease-to-own option and the buyer gets access to it for that period of time.

Adam: That is correct. That is one of the questions that we get a lot; is that second point about access. So, the buyer gets full access to it by pointing the DNS to their settings. They can use it to build their website. They can use it for marketing purposes. It is, for all intensive purposes, theirs while they are making those payments.

Michael: Okay. And if I take out a Zenscrow lease, let's say, for 36 months (three years), do I have to make equal payments over those months, or can I pay a minimum amount and then a balloon at the end; or how does that work?

Adam: That has actually been kind of the gift and the curse for Zenscrow. It is completely flexible. It is really up to whatever terms and conditions the buyer and the seller want to do. So, we can straight leases where there is no potential option to buy at the end of the term. We can do leases where it is a hundred dollar monthly payment and then a big balloon at the very end. Most of our transactions are sales where it is just split over X amount of months. So, a fifty thousand dollar domain over 36 equal payments. Everything is, I guess, a simple loan where the buyer can pay all at once. Like maybe in year two, the buyer has to develop something that is big and they have got the cash at that point in time. They can definitely pay the remaining amount of loan and the transaction will finish with the title of the domain going to the buyer.

Michael: Got it. And so, what happens if I enter into a fifty thousand dollar lease over equal payments over 36 months and I miss a payment?

Adam: What we do typically is there is a grace period. Again, that is determined by the buyer and seller. Kind of, I guess, our defacto default period is ten business days. So the buyer has ten business days from the payment date that has been missed to cure the payment; if that does not happen, then he loses access to the domain, the transaction is cancelled, and the domain goes back to the seller. Very important though, the seller keeps all the funds that they have received for the whole period. So, we actually had one transaction. It was a smaller transaction around twenty thousand dollars that cancelled in month two because the buyer's attorneys thought there might be issues with kind of what they wanted to go with branding and legal issues.

So he decided to cancel, which, at the surface, sounds kind of bad; but the seller got to keep the twenty-five percent down that they got.

Michael: Wow.

Adam: Plus the one month payment. The domain went right back to him and he is ready to sell it again. So that is kind of the great thing about it.

Michael: Yeah. Definitely. If somebody paid me twenty-five percent of a twenty thousand dollar domain upfront and then, a month later, said, "Eh, no. I'm not interested", not too bad.

Adam: Yeah. You know what I mean? The great thing about that is we always have a lot of concerned sellers that legally want lock the buyer in. And if something happens, then they want to take the buyer to court, and go a couple years; and we are just like, "No. Just make it simple. If they do not pay, the domain goes right back to you." And I know we are going to get into, really, the main service offering of Zenscrow, which is a monitoring to keep the domain safe during this whole process. So that is kind of element that really makes this all possible; and it is something that is basically our main service offering.

Michael: Great.

Adam: And then, I would also like to talk about the ease part because that is the other thing that Zenscrow brings to the table; is, throughout the whole process, we are there. We can help with coming up with the terms.

Michael: Adam, no. We will not talk about how easy it is. That is off the table.

Adam: No.

Michael: All right. We are going to get into that. So, I have not come across Zenscrow in the past, but I am not somebody that has had the need to finance a large transaction for a domain name. How long has Zenscrow been in business?

Adam: Fourteen months. And so, it has been quasi-soft launched, you can say. We have not really done any like real, traditional marketing. We did use our free seventy-five dollar Google Adwords credit.

Michael: Nice.

Adam: And a free fifty-dollar credit. So we did some of that. And we were really fortunate to have people like Andrew Allemann pick us up on Domain Name Wire. Morgan Linton did a nice piece about us. And DN Journal has really given us some love. But that has been the full extent of the marketing efforts.

Michael: Right. And, with only those three editorial mentions, how many transactions have you done in the first fourteen months of business?

Adam: Twenty-two transactions for a total - and I got my notecard right here - of \$4,250,882. And that is rounding.

Michael: Nice. \$4.25 million worth of transactions. Excellent. It is not like you have not financed some high worth domain names. And, of the twenty-two transactions, how many actually started? Twenty-two have finished; were there twenty-three that one dropped out early, or are you counting that one within the twenty-two?

Adam: Those are twenty-two close. I wish I could say we went twenty-two for twenty-three. That would be nice. Probably around a hundred or so transactions. Along the way, certain things do not line up.

Michael: Yeah.

Adam: One fallacy that I think a lot of sellers use when they come with us is that, because they are letting somebody pay monthly payments, they can jack the price up two times and three times as much. A lot of sellers do earn interest. So, they should be compensated for allowing the buyer to make monthly payments; but if your domain is worth, let's say, ten thousand, you

cannot come and say a hundred thousand. The buyers are not willing to just throw money at it just because they can develop it.

Michael: Right. Exactly.

Adam: Then there are some issues just in general. People want a higher interest. They might want longer terms. The buyer might want sixty-month terms and the seller wants twelve months. And sometimes, it just does not line up.

Michael: So you have tried to do a hundred deals and you could not get agreement between the buyer and the seller?

Adam: Yeah.

Michael: But, of the twenty-three you started, twenty-two actually closed. I sort of look at it as the buyer and the seller agree to the terms and conditions, and they move forward with the transaction.

Adam: That is right. That is right. Well, out of these twenty-two that I mentioned, the only one that did default, you could say, was that one that we just mentioned.

Michael: Got you.

Adam: But we have had three or four others that have completed. And those were all straight sales over X amount of months. So, the buyer fulfilled their obligation. They paid all the monthly payments and then they were transferred the domain. And then the rest are all currently active, so we are currently monitoring. We are currently in between making sure that everybody knows payments are due and payments have been received.

Michael: Sure.

Adam: So those are active.

Michael: All right. Great. I have interviewed Brandon from Escrow.com on the show, and we talked about how that business got built and how they came across that fantastic domain name. Zenscrow.com. It is an interesting domain name. How did you decide to use Zenscrow.com as your business brand?

Adam: It was a combination of a lot of things. We actually had a couple targets that we wanted that were just out of our range financially. This is a bootstrap startup. And we actually tried to pitch them this concept before we got started, but it did not work out very well. So we were just kind of thinking of names. And actually, we started really creating Zenscrow two years ago; and it was prior to Escrow.com releasing their domain holding product. So, at that point in time, we were thinking it would, because right now we use Zenscrow's domain holding product alongside with ours. We will kind of go over that all in one, but at that point in time, we were thinking: 'Well, it's Escrow. It's kind of like a zen escrow'. And Zenscrow kind of made sense. A lot of people pronounce it differently. There is a lot of Zen Escrow or Zen's Crow. And actually, I think, just recently, on Rick Schwartz's post about The Second Bite, somebody actually did comment and they said, "Nice name." You know, not the best name.

Michael: Everybody is always a critic. So, Zenscrow.

Adam: I can definitely understand it. I really wanted to get DomainFinancing.com, or something like that, but I just did not have the resources. We do have a couple names that we still kind of like, and so we are thinking, now that we are getting a little bit more accred in the industry, now we can maybe reach out and (Unclear 11:33.8).

Michael: So, why didn't you go to that person who has DomainFinancing.com and say, "Hey, I'm going to finance this over five years so that I make sure that I have the cash flow, and you are going to make more than you would on parking, and I'm going to make a great balloon payment at the end"? Walk away if you don't.

Adam: I think I got to reach out and do that. I mean their name is DomainFinancing. So, if they say "We won't finance", that is an oxymoron in itself.

Michael: All right. So you still may do it, and you maybe actually have a success through your own service.

Adam: That is correct.

Michael: All right.

Adam: I like the Zenscrow name. It kind of grows on you.

Michael: Yeah, once you know how to pronounce it.

Adam: Exactly.

Michael: Yeah, I too made the same mistake. I was talking to our Producer, Wayne, earlier today and I mentioned Zenscrow; but I said, "Zen Escrow" and he corrected me. And so, if I make that mistake during the show, it is your job to correct me.

Adam: Great job, Wayne. I appreciate that. Yeah, we tried to, on our logo - if you look at our logo -, do something with colors to isolate the Zen portion and then the scrow next to it. So, we will count it as a semi-successful.

Michael: Now, do you own ZenEscrow.com as well?

Adam: Actually, I do not. Funny story. We are trying to pursue that and it is kind of just out there. I do not think it is really doing anything, but they were unwilling to sell.

Michael: Yeah. There are a lot of people out there.

Adam: Yeah. Yeah.

Michael: All right. So, basically, it is a rent-to-own model that you are building upon. Clearly, I can go directly to a seller and I can say, "I will pay you five hundred dollars a month. You are only making fifty dollars, or twenty dollars, a month in parking on the domain name per month. I will pay

you five hundred. And then, at the end of three years, I will give you a balloon payment for what you and I agree is the true value of the domain today. And it will be locked in, and I could have my attorney write up a contract". What is the benefit to me using you versus me doing it myself?

Adam: Well, first off, we could talk about the ease of use. So, Zenscrow is really there for the whole transaction. We can help you. We actually have a - right now it is complimentary - complementary - I hate to use the term - brokerage because it is not that official. A matchmaking service. So, you can actually tell us the targets that you are looking for and we will go out, reach out to the seller, and educate them on the process. There are a lot of sellers that do not do anything like this, or have not considered it, so there is some education that goes into it. We can help both sides with terms. Then we actually create the agreement; and that is included in our fees. So we will create the agreement based on the terms that both, buyer and seller, came together on. And then, we are there for the whole process with payment reminders. So we do use Escrow.com domain holding service to hold the domain in escrow for the time period. And obviously, if you are familiar with Escrow.com, there is an online portal; but they do not do any reminders. So we are really there for the buyer to make sure that he knows payment is due. Especially in that grace period, you will hear from us daily. We will call. We will e-mail. Because not only is it (Unclear 14:40.2) for payment to go through, but we want to make sure that you did not put all these resources into developing that domain, then fail to pay, and the transaction has to be over and has to be shipped back. We do not want to see that happen. So there is a lot of value in that right there. And then, finally would be, the security aspect of it in terms of the domain monitoring. The interesting thing with that is that is more on the seller side. Obviously, the seller being concerned about their domain name and the valuation staying there. But what our platform does is it enables these transactions to go through. A good portion of the sellers that we work with said they would not have done it without knowing that they were there looking at the use.

Michael: Right because, if I am a seller, I have got this asset. It does not transfer title. It is mine until I receive the last penny that is due on it. And so, if somebody does something to the value of that - uses the domain name for spamming, puts up some sort of indiscriminated content on there that gets it

banned from Google, or has viruses, or what have you -, it could reduce the value of it. Just like if I am leasing a property and I do not upkeep the yard, and dogs are going rabbit inside the house, and all that sort of stuff. So you do the monitoring of the domain name for the seller.

Adam: That is correct. So, Escrow.com domain holding service is amazing. Escrow.com is a secure third party. It will hold on to that domain name. It will request payment from the buyer and transfer it to the seller. That is great, but there was nothing there to really focus on that aspect. What is the buyer doing in the meantime, during those monthly payments? And you listed, definitely, some bad ways. I mean they can do stuff like cloaking. They can do high content door pages. My background actually is in SEO, so I am not a domain investor unfortunately; but that is all the good for that purpose. There are lots of things that can be done, and so, what we do is, we monitor the domains daily to make sure that does not happen. That way, in the period of use, the valuation can stay there. The domain valuation is not in jeopardy of being devalued, you could say.

Michael: Got you. All right. So, just using your standardized agreement, right off the bat, is going to save me probably a couple thousand bucks in legal fees of my attorney.

Adam: That is correct.

Michael: All right. And then I know I have got a standardized contract that other people have used and it has been vetted.

Adam: That is correct. That is correct. I mean and then you save the time with us helping to put the deal together. We can do that on your behalf as well. And then, obviously with the monitoring, it might make some deals possible. Even if you, yourself, reached out to a seller, either they might not want to do it or they might want a really high amount upfront. Maybe they will say, "Okay. Fifty percent upfront". They want to make sure that they are compensated in case something does happen.

Michael: Yeah. Now, who actually does that brokerage work on my behalf as a buyer? Do you actually reach out to the seller and say, "Hi, my name is

Adam Paddock. I am reaching out to you from Zenscrow. I have a buyer that wants to buy your domain name, and we are going to use my service to finance it if I can get you and the buyer to agree to terms"?

Adam: That is correct. Yeah. Mostly, I do that portion. And then we do have a couple of side people that we use as well that can help out. And actually, early on, I reached out to a lot of the main players out there - a lot of the main brokers out there - to try and get them onboard. Obviously as a new service, I could not expect, hands down, everybody to jump in and start sending us deals. We have had a couple leads through established brokers, which has been nice. But yeah, predominantly, it is myself going out and doing that reaching out. I guess who better to do it than me? I created it, so I kind of know exactly the intricacies with what we can do with our agreement and then what we can do with the monitoring as well.

Michael: Yeah. So you said you were not a domain name guy; and I like to do my research, and I go and try and find out how many domains you own. How many domains do you own? Let me see how good my research is.

Adam: Like fourteen.

Michael: Oh, I see. I turned up twenty-three, I think, on Domain Tools.

Adam: Really? Oh, maybe I own more then.

Michael: So, do you own any domains that you financed over time that are great six-figure, five-figure domain names?

Adam: Unfortunately not.

Michael: Too bad.

Adam: Yeah, I know. We wanted to for our name. We spent a little bit of money on one new that we just got; is WeSellDomains.com. We might start using that to take the place of that brokerage, or just to really be like a knowledge resource for the sellers of our service. And then, every once in a while, I will peruse dropping stuff. I have made offers on some high ones that

just did not go through. There was a point where I was really thinking about the crowd funding, which is obviously getting big. So there are a couple names that I really like there, but unfortunately, we were not able to close the deal.

Michael: Yeah. So you said your background was in SEO before you started Zenscrow. Were you doing SEO as a consultant, working for an agency? What was your background before Zenscrow?

Adam: I was in an agency. A company called Lorad in Southern California. Great company. They do also do a lot of domain investing as well, and building them up and selling them up as full sites. So that is kind of where I started to get interested in the whole concept of buying a great domain asset, building it up, and then either, obviously enjoying the fruits of your labor, or selling it at that point in time. Actually, I was telling Wayne earlier. So Zenscrow, I guess, the seed, got planted back then. We were after a domain that was pretty expensive. It was around eighty thousand dollars for HighSpeedInternet. I do not think I can give the exact domain. I apologize.

Michael: No worries.

Adam: It was real expensive, and the seller actually approached myself and my boss with the idea of doing something like this over monthly payments. And we did not really hear about that, or consider that, and it kind of caught us off guard; but we started thinking about it and we thought that sounds kind of interesting because we do want to develop it. We have got a pipeline on the backend to monetize it. So we went down the road of considering it. But then things got mixed up because he wanted to hold the domain while we made these monthly payments; while we were investing and developing it. And then both sides had attorneys that came on.

Michael: Oh yeah. Good luck trying to get the attorneys to agree on that. Yeah.

Adam: It just was real complicated. And that is kind of when, I think, I started to click in my head like, "Wow. I wonder what could make this easier.

What would make this more secure that way we could do things like these?" Transactions like that.

Michael: Right. So that was the idea. You had a real business need at the agency that you were working for, and it just fell apart because the terms were not easy to figure out and come together.

Adam: Exactly. Exactly. Both parties, I think, honestly wanted to do it, but it was just too much ambiguity in between there.

Michael: Definitely. And so, when you left the agency, did you then start working on Zenscrow immediately? Or what happened in between?

Adam: Not immediately. I hung out for a little while. No, actually, that was in Southern California; I came here to Phoenix, Arizona to work for another agency doing product development here. So, it was not until maybe six months later that I actually sat down with a pen and pad and started to kind of figure out what was needed. And so, the interesting thing is that, at the point in time, like I said, it was before Escrow.com really announced that they were doing a domain holding solution. So a good portion of my thoughts was for that actual product. A central person that would sit there.

Michael: Darn you, Andy and Brandon.

Adam: I know. I know. But we started developing and everything like that, and it was probably three months to when we were going to launch when we saw the press come out about Escrow.com Domain Holding. And so, we were all like, "Ah, there goes our complete idea". But then we had the idea to do the monitoring aspect and to do more of the upfront work as well. We sat down, with Brandon actually, one day in Irvine. They were still in Irvine. And we were so nervous. Myself just not being known. I knew who he was. Everybody knows who Escrow.com is. We went to his office and he was just such a good guy. He sat us down. He really explained what they are doing so we could see that there was room for us to synergize and become a partner. And ever since then, Brandon, and Andy, and Ryan who really deals with a lot of our shenanigans. We have had a lot of special requests on behalf of our clients. I cannot give enough thanks to those three. It would not have been

possible without them. I feel kind of bad. This is a good outlet force because a lot of people get it confused and think that we are competing with Escrow.com.

Michael: But actually, you are using their service as the holding service for the domain.

Adam: Exactly.

Michael: So they are the licensed escrow service that is known worldwide. And it is like you are facilitating a deal and you are using Wells Fargo for some backend services or something.

Adam: Exactly. We are forming a shell around them. The frontend being the "brokering", and creating the agreement, and what not; the backend being the monitoring, which makes it possible to a lot of sellers. So, yeah. I feel kind of bad. Sorry, Andy. She always gets calls about, "What's with the Zenscrow competing with you guys?"

Michael: She can take it. She is tough.

Adam: Yeah.

Michael: All right. So then you were working for an agency in Gilbert, Arizona, and then you left that company at some point.

Adam: Well, that is yes and no. I am actually still consulting there.

Michael: Oh, you still are.

Adam: Yes. Yes. So I do work fulltime consulting. Then I work fulltime on Zenscrow as well.

Michael: Of course, Yeah. So you also mentioned, right before we actually hit the record button, that you had another business before Zenscrow, or before you started working on Zenscrow fulltime.

Adam: Exactly. That was before even going to that first agency in Southern California.

Michael: Oh okay.

Adam: Yeah, we did an online surf and skate company, called Anti Apparel. AntiApparel.com. Still there.

Michael: Yeah. AntiApparel.com. I like it. It is a great, brandable domain name. And of course the skaters and skiers are into that.

Adam: Yeah, definitely. Yeah. And so, this was, I think, around 2006/2007. We were at AFR, which is kind of like the TRAFFIC for the surf-skate industry. A big convention, usually, in Downtown San Diego. And we happened to just tag along with a buddy that was in the industry. And myself and a friend of mine we were walking around. We saw these great small brands that had a lot of great clothing. Cut and sew. It was not mass produced. Really, really nice stuff. But they were there to try and get into the PacSun's and the big guys, and it was not really happening for them; or PacSun would just carry two t-shirts. So what we did was we partnered with a lot of these smaller brands to carry their full line; but in exchange, we had them drop ship for us, and we did a lot of collab marketing. And so, it was a great time. We ran it for about eighteen months. It was a Lifestyle Company, but I was 24/25 around then, so it was really good.

Michael: Yeah. Well, yeah, if you do not actually have to pack up stuff and ship off, and you do not need to pay for it wholesale until you actually sell it retail, that is a good life for a twenty-four year old living in San Diego.

Adam: That is right. Yeah. I mean who could ask for more? I mean we did a lot of co-marketing. We would be featured in their magazine ads. There would be a little (Unclear 27:07.6) AntiApparel.com logo on the bottom. And a couple of them, actually, because they did not want to sell it themselves on their own web front. Probably because PacSun and Tillies would not carry their stuff anymore, if they did do that.

Michael: Right.

Adam: So our site actually served as their backend. There would be a shop here and it would just forward directly to our site.

Michael: Nice.

Adam: Not a bad deal.

Michael: Yeah, definitely. So you started that when you first came to the mainland. You originally told me that you were born in Hawaii?

Adam: I am. Born and raised in Hawaii.

Michael: Which Island?

Adam: Oahu.

Michael: Nice.

Adam: Yeah. I actually did not get off the Island until I was eighteen, nineteen.

Michael: And you are going to spend the rest of your life trying to get back to the Island.

Adam: I know. I know. It is kind of ironic.

Michael: So then you came to San Diego. You started AntiApparel.com. You sold that. You began working for an agency doing SEO. You continued doing SEO and you continue to do it today, as your main consulting practice.

Adam: That is correct. And so, the great thing about that is it feeds right into our monitoring offering. A good portion of that monitoring is on the SEO side. And definitely, I would like to get into that because there are a lot of questions on: "How do I monitor?" And on the boards, there have been a couple of sellers that were just like, "Well, I'll just monitor it myself". But we provide some value there that goes beyond if they just monitor it themselves.

Michael: So let's do that. I want to ask you about your fee structure. I want to ask you what kind of domains you will finance; what is out of your sweet spot area. But we'll get to that. So we talked about your process. You create the agreement. You will act as the broker, if necessary, to pull the parties together and help them negotiate it. So you create the agreement. You set it up through Escrow as the backend so that you make sure everything is in process. You send the payment reminders. If somebody is delinquent, you make sure that you are on top of them to keep that transaction going as long as you can, or until it closes. And then you do domain monitoring to make sure that the value of the domain is not reduced at all during the time. So, let's talk about domain monitoring. What does that include?

Adam: So, basically, what we do is, for each domain that we are monitoring, during the monthly payment period, we built a system that continuously spiders the name or the web resource attached to the name. And what it does is it spiders the code, so we grab everything that is publicly available online. So, daily, it runs through all the names that we are monitoring. There is, again, fourteen active right now. It caches the code for each page. And then, the next day, it comes around again and spiders again. And if there is a variance in the pages, or if there is a page that is added, it gets flagged. And so, what we do, at that point in time, is we manually review all the pages that are flagged. So, we look at the code. We look at the frontend just to see if there is anything that violates that particular agreement. And so, we call it the Domain Usage Guidelines, but those are determined by the buyer and seller. So, no putting up this kind of content. No selling links. We make sure that, for that particular domain, everything is going according to those domain usage guidelines. Another very important point is we focus on uses and issues that are at the direct control of the buyer. So, for instance, selling links. They are going to have high CPC text links on their site that are external outbound. Irrelevant. Clear as day that they are paid and unrelated. And so, we will reach out to the buyer and say, "Hey, let's no-follow all those. That goes against the agreement that you signed here. You can keep them on as long as you straight up no-follow them". If they do not comply with that, then we can take away the usage of the domain name from them by rerouting the DNS. We have not actually taken away usage yet, which is great. We had about two or three instances so far. One was with that very same scenario. Another one

was extreme adult content. I actually did like seeing it. And so, the buyer, at that point, said that they had been hacked, which very well could be the case; but it is something in their control, so we said, "Either remove it immediately or we are going to have to suspend your use until you do comply".

Michael: Yeah.

Adam: And so, Zenscrow is there to monitor, find the situation, work with the buyer to relieve that situation; and if not, to take away the use. So that is actually where the sellers cannot monitor it themselves. Contractually, we give Zenscrow that power. To monitor and the responsibility to restrict access if something does not comply.

Michael: So the buyer is agreeing that if I show adult content or inappropriate content as defined as follows, then Zenscrow has the full right to redirect the domain name to a third party site, or a holding page, or whatever. So, you are covered in that, and it is clear what is appropriate and inappropriate.

Adam: Exactly. And the transaction continues. The buyer can continue making payments; and once they do comply, we will work with them and we will review it. And if it does comply, we can give them back the usage. But yeah, in a nutshell, that is what happens.

Michael: Okay. So that makes sense. You have got your automated bot out there. It goes; it grabs all the content from every single page on the website. It comes and stores it. It tells you if there is any differential between yesterday and today, but it still requires a person to go in and actually look at the content to make sure than an image that may not have a file name that seems inappropriate is actually not inappropriate. Are you paying contractors to review the differentials of the content, or do you do that, or somebody within your control?

Adam: I do a little bit of it and then we also have two external SEOs that we contract with. And the great thing about it is we incentivize them to find a problem. So, if they find an issue, they get paid. So they are out there actively looking to find issues.

Michael: They are not getting paid if they do not find an issue?

Adam: They get paid a little bit. But if they can find us an issue, it is worth their while. Definitely.

Michael: Yeah. All right. So that makes sense on the website itself. Now, when somebody actually buys the website, and they can setup their own DNS and their own e-mail, what is to stop somebody from sending out spam on that domain name and somehow affecting the value of it through e-mail?

Adam: That is a great point. What we do with that regard is we work with Escrow.com to monitor any feedback that comes in through the WhoIS e-mail. That is pretty much all that we can do on that front, but it is similar. I mean I could start sending e-mails using DomainSherpa. It is easy to slice that into the header of, even (Unclear 34:33.0).

Michael: Do not do that, Adam.

Adam: I won't do it.

Michael: All right.

Adam: But I do tell sellers because some sellers are concerned with that. And I tell them it could happen either way. But we will get that alert. We host at GoDaddy, which is really good with that alert. If there is anything that is troubling, they will definitely send that 'cut it out' e-mail. And once we get that, we will research it and we will snap use away.

Michael: Okay. So I think I understand the monitoring part of it. You are doing that on a daily basis. Is there anything else you do to monitor?

Adam: We can also take feedback directly from the seller. So, if the seller is very invested and checks out the domain, and how it is built and used, and sees an issue that they think is an issue, we are real easy. They could e-mail us that issue and we will research it. If there is, in fact, an issue with the agreement, then we will go through with it that way.

Michael: Got you. So one of the other benefits is that you are the intermediary and you are there to listen to the buyer and the seller, and make sure that the transaction is happening. You are not just a bank saying, "Make the payment. You got ten days. If you don't, that is the end of it". You are there to make sure it happens.

Adam: That is correct.

Michael: To facilitate the transaction.

Adam: Exactly. Exactly. I look at it like property management. The great thing with switching the DNS is if you have a renter that comes in and marks up your walls and it is crazy, with the domain, I could just type a button and they are out. It is a little harder with a renter.

Michael: Yeah, you cannot go change the locks that easily, can you?

Adam: Exactly. Exactly. But I do want to assure buyers out there that, again, we look at issues that are their direct control. We have not had anything super severe where we would just change the DNS right away. We are very good at contacting them and telling them exactly what issue we see, and suggesting what they can do to solve that issue.

Michael: Nice.

Adam: So, it is not the Gestapo.

Michael: Yeah. So it seems like a great service from both sides of it, Adam. What is your fee structure for setting up this type of arrangement over a number of years?

Adam: We do three percent of the purchase price upfront. So that is due with the initial payment. So these are all combined with the payments. And then we do sixty-nine dollars monthly combined with each monthly payment thereafter. That covers everything from matchmaking to creating the agreement to the monitoring. It also covers the domain holding service fees. So it covers Escrow.com's fees. And by the way, we also use NeuLaw.com.

We have Howard Neu that actually, in some cases, will hold the domain as well. Thanks a lot, Howard. Another (Unclear 37:26.6).

Michael: All right. Okay. So, three percent upfront and then sixty-nine dollars monthly. So, basically, whether it is a two-month deal or a two-year deal, I am still paying that three percent upfront, but then the sixty-nine dollars monthly actually will be longer. And actually, neither of those have anything bearing on whether the payment structure includes interest only, or interest in principle, or balloon payment at the end, or equally distributed. It is regardless.

Adam: It is regardless because we do it on the sum of all payments. Just to make it easy, over the last fourteen months, we experimented with a ton of different structures - all up front; all monthly; full gamut. We have been finding though that this is probably the easiest way for everybody to know what is going on. And it kind of works really good with the value proposition of the product where the buyer does not want to put down a ton of money. So the three percent really is not too much of an issue for them for getting this opportunity to do this over payments.

Michael: Right. Yeah, I was thinking, before the interview, how am I going to ask him what his effective annual percentage rate is because I can go finance a domain name on my credit and I am paying fifteen percent, let's say, and I can go to a loan shark and I am paying twenty-one percent. And loan sharing being some of the people in the domain name industry. And so, really, there is no way for me to actually calculate it with your service because the terms could be all over the place. The sixty-nine dollars that you are charging monthly and the three percent upfront. There is no way to actually charge it until you actually know what the terms of the agreement are.

Adam: That is correct. The twenty-two transactions we have done have run the full course from zero percent interest, which in that case was a name where the seller got their asking price, or a little bit above their asking price; and I guess they were comfortable with that. I think it was over twelve months. So he was willing to do that. Up to fifteen or twenty percent. But usually, ten percent is probably like our standard. That is what the seller

chargers. So, to really get that rate down, you would have to add that ten percent to our fees.

Michael: Yeah. So you say zero percent, but the buyer actually had to pay the three percent, which covered Escrow.com and your fee; and then they had to pay sixty-nine dollars a month. So, really, to finance it through you, they had to pay something.

Adam: That is correct. Sorry. Yeah, you are definitely correct with that.

Michael: All right. But the (Unclear 40:22.8) to the seller.

Adam: Yeah, the seller did not charge. They just got their asking price, and they were happy with that.

Michael: Yeah.

Adam: So, what can you do?

Michael: Sure. Well, yeah. Your asking price, if you think it is too high and somebody is actually willing to pay it, yeah, I'll let you pay it over time.

Adam: Yeah, it was over twelve months, so it was not a huge timeframe. We go up to sixty months. So, five years. So, over that course load, a lot of sellers definitely want to be compensated for stretching out that long. And actually, one question that we get a lot is: "What happens if, in year two or three, somehow somebody makes an offer on that name to the seller?" Again, they are not listed on the WhoIs anymore, but somehow they get in contact with somebody that says, "I understood you own this domain. I want to buy it".

Michael: To the seller or to the buyer?

Adam: To the seller that originally sold it.

Michael: Okay.

Adam: And the answer is they cannot sell. It is locked into this agreement.

Michael: Right. It is an agreement. But what happens if the buyer gets an offer?

Adam: That is correct. The buyer can sell.

Michael: The buyer can sell.

Adam: The buyer can sell. They have to cover the remaining portion of the price in order to sell, but we can work with Escrow.com to do this where the person interested in buying will escrow that money. Then we will transfer it to the original seller, get him all paid and done, and then carry on the transaction at the very end.

Michael: Yeah.

Adam: So that is a possibility. There is a small portion of sellers that are uncomfortable with that. What happens if, over the course of this, the buyer is able to expunge a whole lot of money above and beyond the purchase price? And our answer is twofold. One is: remember, nobody is going to buy your domain to lose money. There is no buyer that wants to purchase your name, put effort into it, and then go bankrupt. That is not their intention. So, the intention is always going to be there to make money off of your domain name above and beyond what you are compensated for. And two, even though it could happen in year two and three, it would happen even if you sold it outright. I mean you could sell the buyer the domain name for cash. Two weeks later, he gets an offer for a million dollars and you see it on DN Journal. That is just life.

Michael: Yeah, exactly.

Adam: So, we kind of give them a little comfort and we say, "It could happen, but just make sure that what you are getting in exchange is what you want". And I think that is really the great thing about Zenscrow; is we do not push either party. We want both parties to be happy with the terms. That way both parties walk away.

Michael: Yeah. So, for that three percent and sixty-nine dollars per month, you actually get a counselor too.

Adam: Exactly. Exactly. Marriage. You know, give me a call.

Michael: Hey Adam, I'm having a problem with my wife.

Adam: That is right. Yeah. Tweet me an issue that you have with your children.

Michael: All right. So, there has got to be a sweet spot for your business service. If I want to finance a five thousand dollar domain, does that make sense? Will you take that on?

Adam: We will do anything. The restriction that we have is we will not take names that obviously could have a UDRP issue. So, if your store is MichaelsGoogleStore.com, we will not take that. But other than that, we will take any transaction amount. We have done a five thousand, which has been our lowest transaction, over twelve months. The issue with cost effectiveness kind of goes towards the buyer at that point.

Michael: At the sixty-nine dollar per month fee. Yeah.

Adam: Exactly. Whether or not they feel that the potential is there to make that three percent and sixty-nine dollars minuscule, and the benefit of getting the five thousand dollar domain over, let's say, twelve months. You are looking at four hundred, five hundred dollars a month. Whether or not that is worth it to them; and we cannot answer that. It is up to buyer. We have had some buyers come in and want to do like a thousand dollar name. And at that point, they would be paying way more than those thousand dollars in fees if they did it over twelve months. Not over, but a big chunk of that thousand dollars would be in fees.

Michael: Right.

Adam: And we just said, "I'm sorry. It is not feasible at this point in time unless you are willing to pay it".

Michael: Yeah.

Adam: So, yeah.

Michael: Got it. All right. So, walk me through a recent transaction. First of all, tell me like a great domain name that you just financed.

Adam: Let me tell you. Unfortunately, everybody out there watching, I did tell Michael in our inner pre-game that Zenscrow has an NDA on all our transactions for not only ourselves, but the buyers and seller. We do not reveal anything in terms of the parties and the domain name. I guess, if the buyer and seller really wanted to divulge it, then we would entertain that. That has not come up though.

Michael: So, if they wanted to strike the NDA from the contract, you would strike it; and then, if the seller wanted to promote, "Hey, I just sold my domain name for four million dollars, even though it is only going to be a balloon payment 36 months from now and they are only paying me ten dollars a month", they can do that if they want.

Adam: Yeah, they can definitely do that. As long as both parties like the terms, we will definitely take that one. I have always been a big believer. I do like the fact that you can keep your transaction secret. I think that it is really only the buyer and seller's issue to know about. But I mean, if they want to publicize it, that is them.

Michael: Yeah, definitely. So, you will finance anything as long as it makes sense financially for the buyer to do so. And you can't reveal the domain names that you have had. Can you reveal roughly? Well, you have got 4.25 million over twenty-two deals. That makes a lot of six-figure deals.

Adam: Yeah. We have had one seven-figure, which was great. And actually, that was our second deal, and the seller would not do it without the service.

Michael: Oh wow.

Adam: The deal actually came from Escrow.com. Thanks guys. But he was very concerned with what activity would be going on with the domain. It is a gambling term. It is definitely a high and generic term. So, he do look into just the domain holding service, and that was not enough for him in order to do the transaction. He needed the surety of the monitoring, which lucky enough, we provided. Andy called me and forwarded me all that and we worked with both parties to explain the process, and we were able to get the deal closed.

Michael: Yeah. And just thinking about it, Escrow.com does not care because they are getting paid just like it says on their website. So they are getting potentially more business, and business that may be turned away from Escrow.com as a result of not being able to monitor. They can still preserve their income by working with you on it, so it makes sense from both perspectives.

Adam: Exactly. I mean the only headache they have gotten so far is the confusion between does Zenscrow compete with you.

Michael: Yeah.

Adam: And so, we are actively trying to work on that. And this is a great step - thank you for having me on the show - in order to educate the public on how we work together. We are a team.

Michael: All right. So, a few weeks from now, Wayne Nelson – Domain Sherpa Producer - and myself are heading down to Florida for the TRAFFIC Conference put on by Rick Schwartz and Howard Neu every year. Went last year. Fantastic conference. If you have not booked your ticket yet and you are thinking about networking, and learning the industry, and making connections, I highly recommend getting down to TRAFFIC. You will be there also. Correct, Adam?

Adam: I will be. Yes.

Michael: And I have seen your company name promoted in a lot of the e-mails that I have gotten from Rick Schwartz and Howard Neu in that there

will be an auction going on, and you are going to be a part of that auction in some way.

Adam: That is correct. It is called a second bite auction. It is actually the brainchild of Rick. Genius. Pure genius, this guy. He is going to make it. He is going to make it. So, what it is is the sellers can opt-in to what is called a second bite, and it is an auction. So, let's start from the very beginning. It is kind of complex; I am trying to explain it well. So, your name comes up and it fails to meet reserve in the initial auction. Then it will go to the second bite auction at the end of the original auction. The reserve is made public and people can bid at or above that reserve to get the name. And so, what happens is they are able to make monthly payments through Zenscrow for that name. And so, we are doing, I think, fifteen percent down with the balance paid over twelve equal monthly payments. Just to make it easy.

Michael: So it becomes clear. We do not have to negotiate that like what you can use your service for. Fifteen percent down; the remainder is split equally over how many months?

Adam: Twelve months.

Michael: Twelve months. So, I, as the buyer, have to pay my fifteen percent upfront. Do I need to pay another three percent of the transaction?

Adam: Yes. Sorry.

Michael: Okay. I need to make a down payment of fifteen percent. In order to start the transaction, I need to pay my three percent; and then I pay sixty-nine dollars in addition to the equal payments of the remainder of the balance.

Adam: That is correct. That is correct. So, it allows the buyer to get into this great name and split it out over monthly payments; but then, on the seller's side, maybe your name did not quite make it where you want it to be with the reserve. But maybe providing the flexibility of the payments might put it over the edge to where you can get it sold. Like you said, we wanted to make an easy structure. That way it is not ambiguous when people are bidding. And this is kind of one that I think is good on both parties. Again, it is not a long

timeframe for the seller, but it does provide a lot of flexibility for the buyer. So I think it is a happy median. I will have to talk to Rick. I do not know if he is going to offer custom terms on the backend; but as it stands right now, it is going to be eighteen percent down, including the fee, and the rest over twelve monthly payments.

Michael: Okay. So, if I am buying a ten thousand dollar domain, I am going to put fifteen percent down, which is fifteen hundred dollars. And I am also going to make a payment for this Zenscrow system of three percent, so that is three hundred dollars. So, eighteen hundred dollars comes off my credit card right off the bat, and now I have got twelve monthly payments for the remainder of the eighty-five hundred dollars to play. And let's say that, three months in, I do not like it. I can walk away from it. And let's say that, three months in, I want to just pay off the remainder of the balance. I can just pay it off. That is my flexibility.

Adam: That is correct. Yes. Get that name, put your whole life into it, develop it out, make it great business; and instead of putting that extra eight thousand dollars in the domain, put it towards development, put it towards marketing, and really make something out of it.

Michael: Great. All right. So I understand what is going on at TRAFFIC during the auction; during the second bite part of that auction. And you are going to be there at the cabanas, walking around, meet and greeting people.

Adam: Exactly. It is my first TRAFFIC. And I am a newbie in the industry obviously, so I do not know anybody. So, if you see me just wandering around, definitely come by and say hello. That would be awesome. I am sure, like I said, I am going to follow you around all night, Michael.

Michael: Oh yeah. We are going to hang out. You are going to be so drunk, by the time the auction rolls around, you won't know what is going on. But that is okay. Rick is in charge of that.

Adam: Excellent. Excellent.

Michael: All right. Will you be offering any specials at the TRAFFIC Conference that attendees should keep an eye out for?

Adam: I have not actually thought about any specials.

Michael: But there might be one.

Adam: I know.

Michael: Maybe.

Adam: If there is a special, it will be a Domain Sherpa Special.

Michael: Excellent. All right. So come find Adam at the bar, and we will talk about the Domain Sherpa Special, if there is one.

Adam: Exactly. Exactly. And I look forward to meeting everybody. I have talked to a lot of people that have been on your show. We did actually done deals with - I can't mention people - one or two people on your show, which has been great.

Michael: Great.

Adam: But people that have helped me out obviously. Escrow.com. Michael Berkens has really helped us out initially, and he has actually thrown in some wrenches in our business model, which is great. Thanks Michael. And we have talked to just a whole lot of people through Skype or through e-mail. So it would be good actually to meet them in person. This is probably the first time they have seen me, so this interview has taken away all my mysteriousness, which I was hoping to keep intact. But I am definitely thankful to be on here talking about our process. I actually firmly think that this way of doing transactions is the future. Obviously that is why I do what I do. With things like crowd funding and with like the Lean Startup taking hold, I can just see more people that still want an (Unclear 54:25.2) name, but they do not want to put all this money into it. And on the flipside, with domain parking being where it is, I definitely want the sellers to be compensated and really get the money back from that asset. So I think that it

is a good way for both parties to unite. I don't know if you want to get into the future. See if that is what we want to talk about.

Michael: Sure. Yeah.

Adam: So, the main thing that we wanted to do - what we always intended this product to be all about -, we intended to be part of retail outlets that are already out there. So, like GoDaddy auctions or Sedo. We wanted the sellers to be able to maybe opt-in and flag as I'll accept this price over X amount of months. Or even in auctions similar to the second bite. Maybe you put your domain up for auction and you say, "Okay. I want this reserve and I am willing to do it over X amount of months". So we really wanted to, I guess, become kind of like a payment gateway that is added on to those brands. And so, again, obviously, as the Founder, I am enthralled in the idea. And I am a newbie, but I called people like Jeff Kupietzky who is not with Oversee.net anymore, but I called him up. I called up high people from GoDaddy. Tim with Sedo. I stalked him on Facebook. I was like, "Guys, you got to get on this. Let us help you sell these domains". We have gotten feedback, which has been so-so. I think that they kind of want to see where we are, so this is a good step. Kind of really see that we are adding value and that people are interested before they go farther and actually do something with this. But after the last fourteen years of really putting everything on the line, we developed a sound process. And so, now I think we are at the point where we do actually want to market. Again, we have not really done any sort of marketing up to now. It has all been word-of-mouth, or me just being out there and trying to do deals. So, really guys, at TRAFFIC, I'm going to nail you guys. Corner you and see if we can do something together to make this just right in line with the checkout process.

Michael: Yeah. That makes perfect sense. Once you actually set a price on your domain, you are much more likely to get a transaction. I think GoDaddy has shown that, or maybe Afternic has shown that. And I think that if you put a ten thousand dollar domain out there, I know there are a lot of domainers who would say, "Well, I'm not going to price it because maybe some (Unclear 56:56.2) will come up and give me twenty thousand". I am like, "Well, either you want to sell it or you do not". If you want to sell it,

providing another option to people to pay it over time is definitely going to be a benefit.

Adam: That is right. Again, as a side, I am all for pricing your name. I don't know. I just always felt like, if you walk into a grocery store--

Michael: And you have to ask about every single product? Yeah.

Adam: Yeah. If you picked up a gallon of milk and you said, "Okay. I want to buy this. How much is it?" and they are like, "Well, how much do you want to pay for it?" You would be like, "Well, you know, I don't want to overpay for this gallon of milk. I don't know where I should be." But I think if the seller really knows exactly what they want. Actually, on your show, I think it was Adam, when he was talking about his transactions. He knows exactly what he wants.

Michael: Right. Adam Dicker?

Adam: Yeah. That is right. And he will not settle for less. But once he gets what he wants, he is good with it. So he will price some of those like that accordingly. I mean I do empathize. I know that, if you do put down a price, you are going to get somebody that automatically will toss in an offer five thousand less. So, I am realistic.

Michael: Well, it goes both ways. Somebody tosses in an offer of five thousand less and people are like, "I am so put off that you offer me half of what I think it is". And then, somebody comes in with a full price offer and you are like, "Oh man, I totally undersold it". It could go either way. You got to be a businessperson.

Adam: Yeah, I love those. When you go out and you are negotiating, and the first response from the seller is: "a hundred thousand dollars cash". And then you are like, "Okay. I can't do that. I can do twenty" and they are like, "Sold".

Michael: Exactly.

Adam: I was like, "If you had just said twenty, then we could have just".

Michael: Well, you see it every day on Pawn Stars and all these shows out there that are now showing you negotiation real time.

Adam: Yeah, exactly.

Michael: Hilarious.

Adam: It is a lot of fun. At least it makes it fun.

Michael: I like where you are heading with the service, Adam. Is there anything else that you wanted to share about Zenscrow before we wrap up the show?

Adam: I guess one additional thing that I would like to say, if we are not able to partner with some of those entities, we are going to do a lot more on our own. So we are looking at maybe doing an auction platform that will be with for-leases and for-monthly payments. Or doing like a straight up marketplace. We have already had people ask to list their names. Right now we do not do that on our site, but we might get into that as well. And I have been thinking about what I am about to say for a long time because I did not want to come off as being - I don't know - egotistical or just whimsical based on the idea, but we did our 4.2 million really not trying very hard. Honestly, we were focused on the product mostly. But I think, if we do go out there and we really try hard, we can compete with some of these outlets. That being said, we actually do not want to. We really want to focus on our product, on monitoring and on that front. So, I'm hoping, guys, that we can get together and work out a deal that will be mutually beneficial. But if not, look out for that. We have been developing. The name for the marketplace platform is probably going to be GoForThe.com. We have been just putting some branding into it. I think it would be really great. It is a really great brandable, memorable name. So, three/six months from now, I think we are going to be at a place where we are fully there and ready for high volume. And I think we are actually there now. Ready for high volume now. We will give it a couple months to talk with people. And if it does not work out, I think that we are going to try and go our own way. So, be on the lookout for that.

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Michael: All right. And if people have a great domain name that they think would be good for building a marketplace, contact you. You might actually finance it from them.

Adam: There we go. We can do it right through Zenscrow. Exactly.

Michael: All right. If you have a follow-up question, please post it in the comments below and we'll ask Adam to come back and answer as many as he can. If you want to follow Zenscrow.com, you can do so on Twitter at @Zenscrow.

Adam Paddock, Founder of Zenscrow.com. Thank you for coming on the show, sharing your knowledge and shedding light on the Rent-to-Own domain name opportunities available out there, and thanks for being a Domain Sherpa.

Adam: Thank you. Thanks for having me.

Michael: Thank you all for watching. We'll see you next time.

Watch the full video at:

<http://www.domainsherpa.com/adam-paddock-zenscrow-interview/>