



Podcast Transcription Session 62: JASON JONES

Welcome to Lend Academy Podcast, Episode No. 62. This is your host, Peter Renton, Founder of Lend Academy.

Peter Renton: Hi everyone, I am not in my regular office studio in Denver as you can probably tell by the sound quality of this recording. I am actually in a conference room here in New York City where I have been this week with the LendIt team as we get prepared for our next event which is actually going to be on the other side of the country in San Francisco here in a few days, but I have on the show my good friend and partner, Jason Jones. We're going to be talking a lot about LendIt USA, it's not purely a promotional plug for the conference although that is our focus, but we're also going to talk about some of the issues facing the industry today, what some of the challenges that we think will become part of the themes of LendIt this year. If you are coming to the LendIt conference, you'll find this a very useful podcast to help you get a feel for the event, we talk about how you can get the most out of it, what we have planned. It's going to be a very big event, the biggest ever and we're going into some detail about that. Hope you enjoy the show!

Welcome back to the podcast, Jason.

Jason Jones: Thanks for having me again, Peter.

Peter: Okay, so I want to get started by...we've probably got some listeners who are not all that familiar with the history of LendIt so do you want to just give us some background on how LendIt all got started?

Jason: Sure so my partner, Bo Brustkern and I, former portfolio managers, venture capitalists, investors in technology companies, we were looking at online financial marketplaces and we looked at crowdfunding, we looked at private secondary share investing and we looked at P2P and we fell in love with P2P. At first we were looking at it from a venture perspective, but as we looked more closely we realized that there's a whole new asset class being created and we decided to launch a fund. So we launched a fund that's gone through several iterations but it's currently called NSR Invest.

After we launched that fund we had allocated capital to Lending Club and Prosper and a couple of others. We decided it would be a good idea to host a conference, get everybody together in one room, get to know everybody and meet everybody. So the idea wasn't much more than just to have a meetup-style event in New York and we realized that if we wanted to do it right we should probably call the person who has the biggest profile in the space and is the kind of the thought leader in the space, Peter Renton.

It was in January 2013 when we reached out to you Peter and suggested that we do a conference together. It was a cold call and your response was, "Hey! that was my New Year's Resolution to create a conference this year."



Peter: Indeed it was.

Jason: I'm in, let's do it! We didn't realize it at the time, but everything kind of fell into place. Bo is based in Denver, you're based in Denver, Bo had a beautiful office, you were working out of your home and were looking for office space so there's a lot of just synergies that were not anticipated and worked really great. So from January 2013 through June of 2013, we pretty much worked every day together. I should mention, we had another partner Dara Albright as well, who joined us as well, but we worked every day and it was a great experience, we just loved working together.

It was a joint venture so we were in separate businesses but we were jointly working on this LendIt together and by June 2013, we launched that first conference and it went way better than we had ever expected. We were expecting 200 to 220 people, our break-even was 200 and the max capacity was supposed to be 220. It wasn't like we were looking to make any money on this, this was more of just a community effort to get everybody together, but we got so many people that wanted to join. We ended up maxing the place out wall-to-wall at about 375, there was more people, there was a line out the door, it was crazy.

But it was a great experience, we loved working with you Peter and immediately after that conference we decided to come together formally as a team, we put our joint ownership of LendIt into one pie, we put our investment fund into the same holding company and we put your media company into the same holding company. So our holding company was born and all of a sudden we were running a media business, a conference business and an investment business.

Peter: Yes, indeed.

Jason: And we run those three to this day and it has been great. All three of them have ridden the wave of peer to peer lending.

Peter: Yes, yes, they have and I would like to reflect that as well, I had a great experience and it's been a crazy three and a half years since we came together, but it's been a lot of fun. So let's just run through really quickly the history of the different conferences. This is going to be our fourth US event. Just 15/20 seconds on each one, just talk about the conferences that we've put on.

Jason: Sure, so after that first event which we thought was going to be a very local conference. What happened was people came from all over the world, we had no idea, but they came from all over the world.

I remember sitting down with a representative from CreditEase, Yihan, who currently runs Yirendai, they're a publicly listed business. I met Yihan at the first LendIt and she was telling me about CreditEase, she was trying to calculate the total originations and she was converting from renminbi to US dollars and she was giving this number that was huge. I said, no, you must have



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your conversion wrong, your numbers are too high and she said, no, no, that's how large we are. It was like two or three times the size of anything that we had seen in the United States. I was like, wow, this is crazy! So there's huge companies in China already in P2P, I had no idea. Through CreditEase and through Dianrong, Soul, who was a co-founder of Lending Club and went to launch a P2P lending company in China, I met also at the conference, it really encouraged us to expand to China.

So starting in probably August of 2013, we started seeking a local partner in China. We spent a lot of time focusing on that market and was able to, after a long negotiation and finding the right partners, we were able to secure a partner and start working on LendIt China. So fast-forward to 2014, we had the USA conference in May.

Our second conference was USA again, we had about a thousand people for the second conference and we went from being kind of just a gathering to an actual conference. There was so much excitement in the air that year, everybody had discovered this new category, this new asset class and there was a lot of excitement that things were coming together. So we had a conference in May and immediately after that we shifted focus and in July we had the first conference in China, July 2014, in Shanghai with our local partner. It was called the Bund Summit, we had about 500 people there and, again, so much excitement, same type of vibe that we were seeing in the US, we were also seeing in China. It was really amazing to see that these two separate cultures were on to the same theme, the same kind of concept and were growing independently and were embracing the same type of industry.

From there we started to get a little more formal, we started to figure out what we were doing as far as being conference organizers and we moved forward and we launched LendIt Europe in London. We realized that the three major centers of peer to peer lending are the UK, the US and China and as a result we launched our three conferences in those three markets. I would say that the European Conference in 2014 was probably our most professional conference to-date.

We actually had brought in some members of our team, early members of our team that came out of the conference industry. Joy Schwartz, one of our managing directors, Managing Director of US and Europe came aboard and she did an amazing job of showing us what it means to actually have a real conference as opposed to a couple of people who were not in the conference business trying to kind of make a gathering happen. We really stepped up our game there.

The following year, 2015, we were back in New York for USA and that was kind of like the coming out party, I would say. We had about 2,600 people show up and again, so much excitement, the place was packed, there were investors, there were platforms, there were start-ups, there were established companies, there was just a really great feeling that...this was the first thing onto the scene at this point. We had Larry Summers speak at the conference, he said some amazing things about our industry. Everybody had a really great sense that we were on to something that's pretty big and transformative in our industry.



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We went from there over the summer in July, we decided to go back to China. This time we hosted two conferences, one in Beijing and one in Shanghai, and we did a tour. We brought about 30 people and we went from Beijing down to Shanghai, we met about eight different P2P companies, company visits, we met with investors, we did some cultural tours, we went to see the Great Wall of China and we held these two bookend conferences in Beijing and Shanghai.

At this point, the Chinese market was really taking off, it had now...it's probably double the size of the US market. When you go to China you just kind of feel the sense of how large this industry is, how ingrained it is in their culture which is much more so than it is in here or anywhere else in the world. That was exciting and then we went from there back to Europe for our second European conference in the fall of 2015 and that one was a beautiful conference once again, I think our European conferences are just so well organized, a little smaller, we had about 800 people at the European one, really high quality and everybody that comes to the conference...really high quality and feels like they are getting a lot of value from it and it's more intimate. I love the feeling of the European conference.

After that one...that was our last conference...since last fall we have been planning for the big one which is coming up next week back in San Francisco. We're expecting 3,500 to 4,000 people, we've got a massive number of speakers this year.

Peter: Yes.

Jason: About 500 speakers, we've got over 1,000 companies coming, we really increased the number of sponsors, number of supporters of our conference and again, people are coming from all over the world to our big kind of flagship conference.

Peter: Yeah, I want to actually get into that in a little bit, but before I do I want to just touch base with you on some of the differences in the industry today, how sort of...some of the challenges that we're facing today that we haven't dealt with before. Before we actually get stuck into what's going on with the US event, can you just give us a rundown on what your thoughts are on some of the challenges which will obviously be some of the themes that we'll have at LendIt USA this year.

Jason: Yeah, I would say that...I would start with this. The fundamentals are solid, the underlying fundamentals of borrowers, of platforms are solid so that gives me a lot of reassurance on where we are in our market. The issues that we've been dealing with have been...we've dealt with issues in the US and China, specifically. There's been a lot of issues that have kind of changed...are helping us grow up and mature as an industry. We're getting to the point where we're all thinking about how does this industry become a little bit more mature, we're kind of in those teenage years, I would say, how do we become an adult?

Peter: Right.

Jason: You know, Lending Club went public, OnDeck went public and Yirendai went public and stock prices kind of collapsed. Part of that was public markets issues, part of that was original



pricing and there's been little nicks here and there that have caused investors concern kind of exacerbated on itself. Some of those issues are the Madden vs. Midland case which we'll discuss at LendIt. I would say that when the markets really crashed in December and January in the US, the securitization markets really slowed down and the yields on junk bond paper have spiked and as a result the relative value trade is less compelling because there's other higher yielding products that are out there right now than P2P. I would argue that a lot of those higher yielding products are a lower quality of credit, but it's causing this slowdown in both securitization and relative trade has been kind of the issue that the industry is dealing with right now.

In China there was a giant Ponzi scheme much like the Bernie Madoff Ponzi scheme here, they had one that was with a company called Ezubao which was a large P2P company, although it's strange because I had not heard of them, we had never had them in any of our conferences nor had they ever been on our radar. They were a large P2P company that was out there and they scammed billions of dollars from their investors and it was exposed that it was a fraud. From a PR perspective, it was a horrible time for that to happen given the fact that there has been so much negativity in the Chinese press about the cases of fraud in P2P and all the smaller companies that have been going out of business.

The way I look at China is that there are probably 20 to 30 extremely large, extremely high quality, best practice-type companies that are leaders in the industry. Then there's probably another 150 that look like legitimate companies that are up and coming, strong management teams coming out of banks and credit agencies, with really great backgrounds and then there's this long tail of start-ups. I think that the press over-emphasizes the failure rate of a lot of those start-ups and the fraud that's happening in China. It's a good media story, but it fails to recognize the positive things that are happening in China as well, I mean it's a huge market. The leading players are doing extraordinarily well and some of that gets overlooked.

I think, generally, there's been some negativity that's just kind of been an overhang on fintech, generally, that our industry and our conference will deal with this year. But, again, I'll just go back to what I said originally, the basis, the fundamentals are great.

Peter: Right, right,

Jason: That's the important thing to remember is that things are not changing. The borrowers are strong, the credit underwriting seems to be working and I think we'll see solid, steady performance and I think that will be the driver of future goodwill for our industry.

Peter: Yeah and it's funny. We had a meetup last night in New York and we had Telis Demos from the Wall Street Journal talking and one of the things that he mentioned and he has been quite critical of some of the things that have happened in our industry in recent months, but he was saying that the reality is that these businesses are strong, the models are strong and Lending Club has executed very well and the fundamentals have remained strong, but there's



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certainly been some hiccups and, you know, the press likes to focus on the hiccups whenever they can, it seems. So that's, I think, duly noted.

Let's just get into the agenda for a little bit. We have a massive agenda this year, bigger than we've ever attempted before and I think we're covering pretty much every single topic that you can imagine in our industry, Let's just talk through how the agenda is going to work.

Jason: Okay, sure thing. So first of all, we are at the Marriott Marquis which is in downtown San Francisco by the Yerba Buena Gardens, kind of right next to the big convention center where Apple launches each iPhone and Google conferences at the Moscone Center so kind of right at the heart of the conference area of San Francisco in the biggest hotel in San Francisco.

As we structured our agenda, we had to structure it around the conference venue. The conference venue has two huge rooms; the largest room will be our expo center and it's massive. Do you know the square footage Peter? I don't have it off the top of my head.

Peter: I think it's 40,000 square feet roughly.

Jason: 40,000 per square feet...we have 140 some-odd booths in the expo center, it's going to be massive. In the second largest room is the main keynote speaking area which will hold about 1,200 attendees. That's where we'll hold the main speeches in the morning and then in the afternoon, we'll put up a wall and we'll have two different sessions, a 800 person room and a 400 person room and we'll talk about the...one room will be about innovation taking place in lending so all the cool and latest things that are the hottest topics we should discuss in lending.

The second room will be about innovations that lenders should care about so this room is really about what is happening out there in the world that lenders should be thinking about, whether it is the rise of mobile technology or the millennials' attitude towards money and technology or blockchain, you know, how does the blockchain impact financial services. We're looking at all those other things that are happening outside of lending that lenders need to think about. That's the main session area.

In a separate part of the hotel we have a bunch of little rooms. These rooms range in size from 50 people to 250 people so that's both good and bad. On the good side that means we'll have a lot of intimacy, we'll have a lot of smaller rooms where people can have smaller discussions. We have a big conference with a way to actually have some intimate discussions which we really like. The bad side is that it means we have a lot of content with a lot of different things happening at the same time. There's no way you can see everything happening in the conference, you'll just have to pick which is most relevant to you.

We have a lot of amazing speakers speaking. Some of these workshops include...well we have three deep dive tracks so we'll have a deep dive on consumer, a deep dive on small business and a deep dive on real estate.



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In addition to that, we'll have workshops that are designed for executive level people at companies.

We'll have a Sales & Marketing Workshop that's really designed for chief marketing officers, talk about borrower acquisition and different forms of digital and direct marketing.

We'll have a Credit & Underwriting Room really designed for chief credit officers who will talk about all sorts of different methodologies around credit and underwriting.

We'll have a Structured Products Room really designed for the capital markets professionals talking a lot about securitization and what's happening in structured products.

What's new this year is we'll have a Fund Managers Room, first day will focus from an operations point of a fund, what are the relevant things you need to think about, whether it's evaluation of the portfolio or tax issues, tax and compliance related issues, offshore investing, talking about kind of the operations of a fund.

The second day in the Fund Manager Room, we will actually be doing fund manager presentations where each fund gets 20 minutes to give a presentation about their own fund in front of a restricted access room of limited partners.

We'll have a room for Analysts Briefings so the publicly traded companies and the pre-IPO kind of billion dollar plus companies have the chance to get to know the sell-side analysts and tell them more about their company.

We will have rooms on wealth management. Wealth management is a new area for us. We really focused on how to open up the pockets of capital that are not as well flowing into P2P as they could be and wealth management is one where we think there's a lot of opportunity and in order to do that we need to both educate the wealth managers on what is P2P and why they should allocate a percentage of their assets to this new asset class. We also have to educate the P2P companies on how to build products, services and technology to integrate with the wealth management ecosystem. So we'll spend a lot of time in that room getting companies up to speed.

We'll have an International Workshop. We have companies coming from all over the world, whether it's the UK, Eastern Europe, Western Europe, India, Israel, Latin America, we got Brazil specifically. We've been talking about the Islamic markets, we're covering Japan, all sorts of markets all over the world.

We have a Technology & Operations Workshop, this workshop will be focused on CTOs and chief operating officers, talking about things like managing a call center or building the best customer service or just integrating technology on the back end, things like that.

There's more rooms, but I think that gives you a good flavor.

Peter: Yes.



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Jason: We have a lot of different areas that we're covering this year.

Peter: Yeah, as I said we're covering pretty much every topic you can imagine. Regardless of the content, a lot of people come to LendIt for networking. They want to meet other people to do new business opportunities, people to learn from, what is LendIt doing to help facilitate networking?

Jason: Good question, I think the three greatest values that we add to companies at LendIt are number one, education obviously. We have a lot of tracks, a lot of content; number two would be launching a product or a service where we have a lot of media attention so it's a great place to use PR to make a big announcement about your company, and number three, probably the most important piece of all of LendIt is the networking piece.

We work really hard on helping companies connect with other companies and use LendIt as a place to get business done, we view it as the annual industry event where our industry gathers every year to learn and to reestablish connections with fellow industry members, but also to do business and I think the networking piece is really important. On that, probably the best thing we have is our new mobile app which we launched in Europe last year but this is the first time we're having it in the US, it's a great new mobile app that we've been using that really facilitates the networking aspect and we encourage everybody to download that mobile app and use it as much as possible.

Number two, we have finally...we've been working on this for years, but we finally have this ecosystem of companies that are hosting parties and events around our event so every year there's a few parties. This year it's kind of an explosion of parties, there's so many different things happening around our event so different banks and leading firms, venture capital firms and platforms are all hosting their own cocktail parties or dinner events or various different things happening around the event. We encourage everybody to connect and find different ways to network at these social events.

We also have made lists of every company that's coming available, we have a geographic breakdown, a visualization of where people come from all over the world. We, as a LendIt team, are doing our best to physically make connections from person-to-person, hosting tour groups and we're even doing local tours to local companies in and around San Francisco around our event. Those are some of the ways we're helping network.

Peter: Great, great. So before I let you go I want to talk about a couple of more things. We have a lot of people coming, different kinds of attendees. As you were talking then, I was just looking up the numbers that we have, where we are. As we're recording this we are ten days out from the conference, we have 2,594 people signed up. We all know, one of the unfortunate things about this business in some ways is it's just a last minute rush. Last year we had half the attendees register in the last three weeks and we're having a similar thing happen this time. We have 2,600 people now, but we'll end up with well over 3,500, I expect. Who is coming? Tell us what are the typical attendees?



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Jason: Obviously, first we have the platforms so about 40% of our audience are fintech companies, primarily P2P lending platforms and other types of lending platforms. That's the main audience and we have the leaders from all over the world coming.

The second piece is another 40% are the investors. The investors include the banks and the hedge funds and the credit funds. This year the closed-end funds are pretty popular, VCs, private equity funds, the whole gamut, we have a ton of investors, it's really interesting. I spent a lot of time on investors this year. It's really interesting to see the different styles, the different ways these different funds approach credit and there are so many different flavors that it makes it really vibrant.

The last 20% is service providers. Whether they are lawyers or accountants or they are servicing companies and collections companies, fraud identity companies, a lot of service providers that are out there as well so the mix is nice.

From a geographic perspective, as usual, we have a ton of people coming from the UK and from China, we have a huge Australian contingent this year. Australia seems to be another market that's really taking off. A little to our surprise, India is making a big push this year, we're having a lot of Indians coming and of course don't want to forget Canada. Canada always has a large number of people.

Peter: Indeed, indeed. So last question, let's just move beyond our event in ten days, let's talk about our two other conferences this year. We've got one coming up in China and then in London as well so just give the listeners a little bit of a flavor of what they can expect there.

Jason: Okay, so this LendIt USA event is also the kick-off for our LendIt China event which will be our next event in July. Like I mentioned the last couple of years, we did a joint venture where we were in the Bund Summit which was a JV with another local entity in China. This year we're actually launching LendIt China, our own branded conference, completely changed the format, bringing the format that we have in the US to China.

We are really excited about this, we're going to have the industry leaders from all over the world gather in Shanghai for two days, we are also going to do a tour similar to last year. The tour is so fun, we'll have between 30 and 60 companies come on the tour with us. We'll start in Hong Kong, we'll head to Shenzhen, Guangzhou and then finally to Shanghai. We just got confirmation that we'll be visiting with Tencent and with Ant Financial, Alibaba, we are going to meet with offshore investors in Hong Kong and we'll end up in Shanghai meeting with Lufax and Dianrong, China Rapid Finance before going to our conference in China.

In Europe we are moving to a brand new facility by the O2 Centre, the Intercontinental Hotel, it's the nicest, most beautiful, brand new hotel in London. It's perfect for our event, the layout is gorgeous, we have made some early success in Europe as well. Once again, we're partnering with our local partner, the P2PFA, which is the association that kind of spearheaded the implementation of P2P lending as a law in the UK [not China]. They're a great local kind of quasi



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governmental partner and they've actually secured an amazing keynote speaker for us. Peter, can you tell us who that keynote speaker is? Or are we not announcing that yet?

Peter: (laughs) We actually don't have approval yet, but by the time this podcast is ready to go live we probably will, but I'd rather leave it for now.

Jason: Sorry (laughs)

Peter: (laughs) That's okay, we'll make a big announcement of that when the time is ripe.

Anyway, we've run out of time. I really appreciate you coming on the show today, Jason, it's always great to chat with you.

Jason: Absolutely Peter. Thanks.

Peter: Bye.

Okay so if you are coming to the show this year, I highly, highly recommend that you get out your phone right now and download the LendIt app, it's going to be the way that will help you get the most out of the show. Our entire agenda will be loaded on there, you've got all the attendees you'll be able to connect with, it's really going to be the best way for you to navigate the show. I realize there are probably some people listening who are not going to be coming to LendIt and we understand it's not possible for everybody. Obviously, this broadcast goes out all over the world, we have a solution for you as well. We will be live streaming the event, the main stage will be live streamed throughout all two days and that is something that you'll be able to take care of, it's always free of charge. You will be able to watch all of the main sessions as they happen live.

Anyway on that note, I am going to get back to work here. We have a lot to do before the conference and I will hopefully see some of you there. If you are there and are a listener of the Lend Academy podcast, please come up and say hi. I always like to chat with listeners. Thank you very much for listening and I will catch you next time. Bye.

(closing music)