THE FINANCIAL ADVISOR'S GUIDE TO P2P INVESTING

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Putting the "P" Back into "P2P"

The purpose of this white paper is to introduce financial advisors to the world of P2Pi, weigh P2Pi against other asset classes, explore how P2Pi fits into a modern retail retirement portfolio, and illustrate ways for financial advisors to help their clients maximize P2Pi returns as well as access credit through online lending platforms.

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PUTTING THE "P" BACK INTO "P2P"

"There's a natural progression in the way the public responds to all innovation. A mere 'novelty' becomes an 'interesting new niche', then a 'great idea' and then, 'How did we ever get along without it?' It's been 10 years in the making but now online marketplaces for credit have graduated to mainstream acceptance."
- Ron Suber, President of Prosper

In less than a decade P2P ("peer-to-peer") investing (P2Pi) – sometimes referred to as online or marketplace lending – has gone from a novel means of connecting borrowers with lenders to a formidable alternative asset class that offers higher yield and less volatility than conventional fixed-income asset classes while providing little correlation to broader markets.

Although financial advisors have, for the most part, remained on sidelines, P2Pi continues to attract capital from a wide range of investors – from large pension funds all the way down to the self-directed individual. Despite the lack of contribution from the financial planning community, demand for P2P loans remains so strong that it consistently dwarfs the supply of notes.

Unfortunately, what began as a true person-to-person marketplace - with the ordinary individuals lending to and borrowing from one another - has since become monopolized by institutional investors whose deep pockets and technological advantages have all but driven the individual lenders out. In fact, according to various industry sources, nearly 90 percent of P2Pi capital is presently derived from institutional lenders.

The mounting difficulty for individuals to access P2P loans has been the one regrettable consequence of the massive success of the online lending model. However, we believe that armed with the knowledge and resources, the financial planning community can bring the "Peer" back into "Peer-to-Peer" lending and help democratize the P2Pi investor composition. Furthermore, we also believe that financial advisors can ultimately play an integral role in balancing the demand/supply discrepancy by introducing quality borrowers to the industry.

The purpose of this white paper is to introduce financial advisors to the world of P2Pi, weigh P2Pi against other asset classes, explore how P2Pi fits into a modern retail retirement portfolio, and illustrate ways for financial advisors to help their clients maximize P2Pi returns as well as access credit through online lending platforms.

WHAT IS P2P INVESTING?

P2Pi is the practice of investing in loans that originated from online lending portals as opposed to originating from conventional financial intermediaries such as banks.

By replacing "brick-and-mortar" middlemen with technology, online lenders are able to reduce the cost of originating, approving, servicing, and funding typical loans. As a result, borrowers receive a lower interest rate while lenders receive a more attractive rate of return.

P2PI - THE RISE OF A NEW ASSET CLASS

The online lending model emerged in 2005 as ordinary people began fulfilling the capital needs of anonymous borrowers in an Internet setting. In less than a decade, this new method of debt finance has become a worldwide phenomenon - on the verge of dislocating the $13 trillion credit industry.

During the past three years, this nascent industry experienced not only an institutional influx of capital and significant spike in loan volumes, but a global proliferation of online lending marketplaces for personal loans, student loans, small business loans, real estate loans, auto loans and even loans for cosmetic procedures.

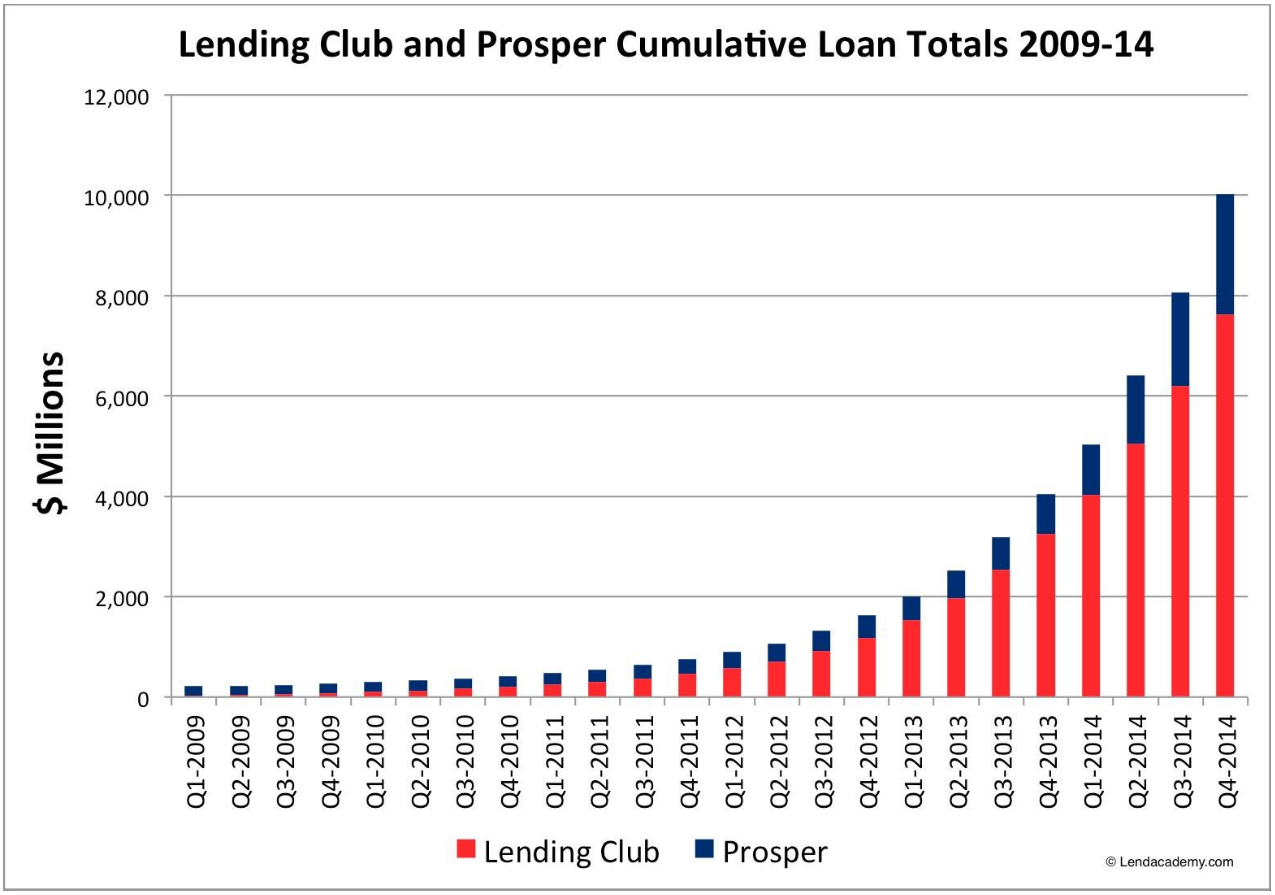
The global online lending industry surpassed $8 billion in 2013, and according to research firm Liberum, is on track to be a $40 billion industry in just the U.S. & U.K. by 2016. Venture Capital firm, Foundation Capital, predicts that by 2025, $1 trillion in loans will be originated in this manner globally.

Although Lending Club and Prosper dominate the online lending space, they possess just 2% of the $843 billion unsecured personal lending market and a mere one tenth of one percent of the overall lending market. Goldman Sachs estimates that within the next 5 to 10 years, Lending Club and Prosper could own 15% of the unsecured consumer lending market.

2014 was a watershed year for P2Pi. Lending Club, the world's largest P2P platform raised over $1 billion in the second-biggest U.S. IPO of the year, and currently trades at a valuation higher than many established banking firms.

Prosper, the world's second largest P2P platform, grew by 347% in 2014. Issuing $1 billion worth of loans in just 6 months, Prosper surpassed the $2 billion mark for the first time in the fall of 2014. To put this accomplishment into perspective, it took the company 8 years to reach its first $1 billion in originations. In spring of 2015, after now crossing the $3 billion origination mark, Prosper raised another $165 million from a group of investors led by a unit of Credit Suisse Group AG's asset-management arm. This latest cash infusion values the company at approximately $1.87 billion - almost tripling its valuation from its previous round less than a year prior.

The following chart illustrates the dramatic growth of P2P loan originations.



THE INSITUTIONALIZATION OF P2PI

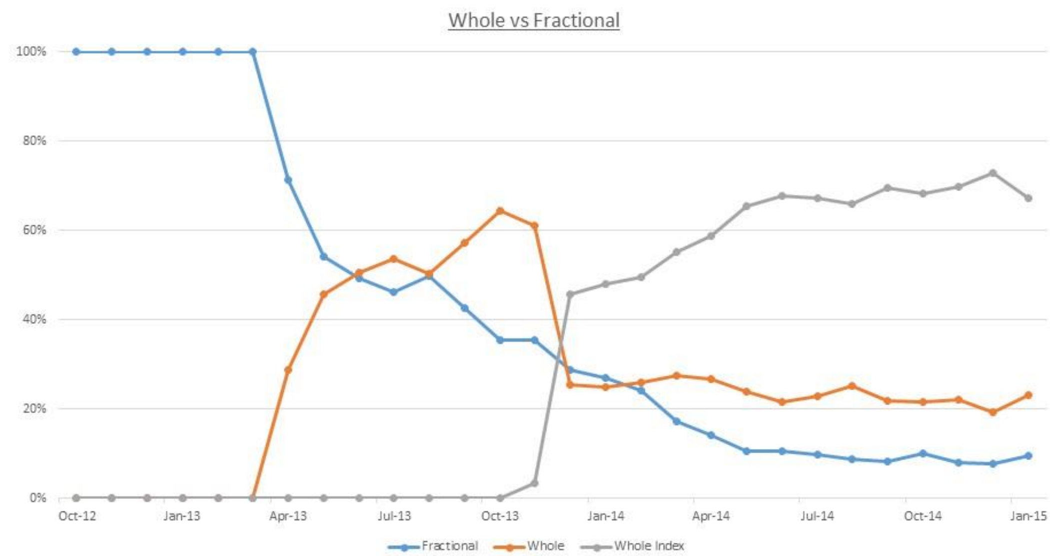
In recent years, it has been the institutional investors that have been driving much of the industry's astonishing growth. Fewer and fewer peer-to-peer lenders can accurately be labeled as "peers" – or what traditional financial advisors would simply refer to as "retail investors".

While "peer-to-peer" is etched in its heritage, the majority of today's P2P lenders constitute Wall Street banks, private equity funds, and asset managers.

When P2P lending platforms first emerged, P2P loans were 100% fractional - meaning that multiple smaller investments were pooled and lent to one borrower. In late 2012, as the industry matured and returns increased, institutional money began flocking to the sector. To satisfy their voracious appetite, Lending Club and Prosper began offering whole loans, which is essentially a loan that is funded by just one investor. Because institutional investors possess the capital, credit assessment expertise as well as technological advantages, they tend to be better equipped to capitalize on whole loan lending.

As the following diagram illustrates, fractional loans now represent less than 10% of Prosper's originations.

DOLLAR AMOUNT OF LOANS AS A PERCENTAGE OF FRACTIONAL AND WHOLE P2P LOANS ON THE PROSPER PLATFORM



The whole loans program for institutional investors was introduced in April 2013. Prior to that, 100% of Prosper’s notes have been fractional.

Source: Nickel Steamroller

The fervent institutional demand for all P2P loans - whether fractionalized or whole - has left a scarcity of notes in the marketplace. And it has become progressively more difficult for retail investors to get their hands on the most sought-after notes.

Fortunately, new P2Pi investment products are constantly emerging to service retail investors and help level the playing field. Furthermore, as financial planners enter the marketplace - bringing fresh investors as well as borrowers - the industry will likely experience an increase in the percentage of fractional loan funding.

Curtailing the smaller investor’s access to P2P debt would not have raised any eyebrows just a few years ago. However, with interest rates at historic lows and the value of P2Pi more proven, excluding the investing public can eventually become problematic, and even have far reaching economic implications.

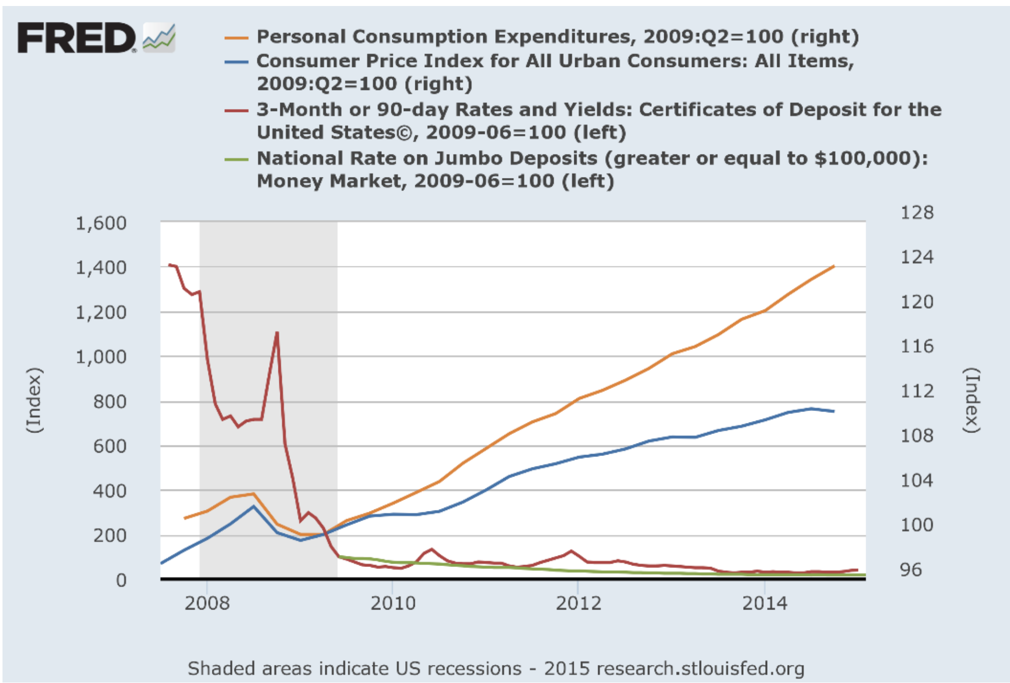
THE BIG PICTURE – SMALL INVESTORS NEED GREATER ACCESS TO YIELD

Traditional fixed income assets such as treasuries, municipal bonds, publicly-traded corporate debt and bond funds have long been a staple in any investment portfolio. The simple rule of thumb taught to financial advisors was that a client’s fixed income allocation should parallel his age. For example, a 30 year old should allocate 30% of his portfolio to fixed income assets and the remainder primarily to growth. The exposure to fixed income assets should increase with age so that by the time one is ready to retire, the bulk of his assets should be in fixed income. This standard asset allocation model worked well when treasuries were yielding around 7%. But those days are long gone.

Today, with interest rates near zero, savers are actually penalized for saving, and even run the risk of outliving their money.

According to the Employee Benefit Research Institute, a staggering 83% of the nation's poorest are at risk for running out of money. 66% of workers having saved less than $50,000 for their retirement and 28% have saved less than $1,000. Even more chilling, these assumptions are based on people earning 8% above inflation each year on their stocks and about 2% above inflation on their bonds — net of fees. This forecast is alarmingly over-optimistic. Adding fuel to the fire, with social security on the brink of insolvency, America is facing a retirement crisis of epic proportions.

Real rates of return for cash savings and short term fixed positions can become negative in low to zero interest rate type of environment. The following graph illustrates the dilemma of cash and short-term investment returns. Rates are dropping while inflation, measured with the Consumer Price Index (CPI) and Personal Consumption Expenditures (PCE), is increasing.

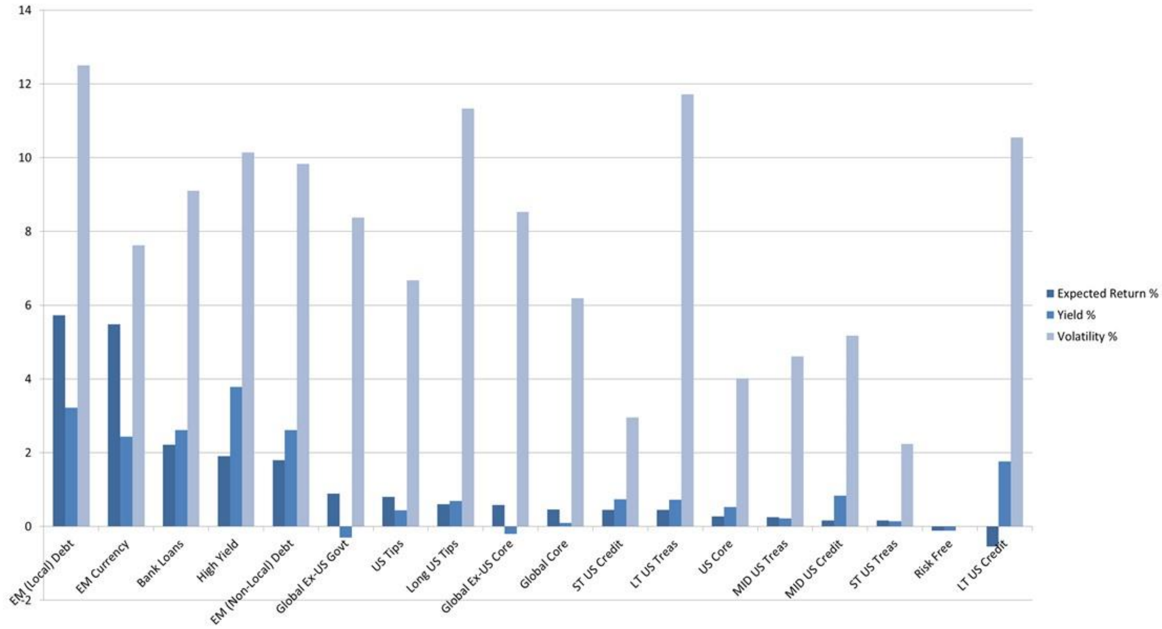


Hardest hit by the Fed's Zero Interest Rate Policy (ZIRP) are retirees who are most dependent on interest income for basic living expenses. According to a November 2013 McKinsey Global Institute report, over the last six years, seniors 65-74 years old lost on average $1,900 in annual income while those 75 and older lost $2,700. In a recent Wall Street Journal op-ed penned by Charles Schwab, he estimates that $58 billion in annual interest income was lost by America's seniors since 2008.

With rates are on the floor, most economists are expecting an imminent rate hike. While this may help future fixed income investors, it will adversely impact the returns of existing bond holders. Some analysts are recommending high yield corporate bonds. While corporate credit has historically held up better than government-related securities during rate hikes, both are still much more interest-rate sensitive than P2Pi. This is because P2Pi tends to function outside of traditional banking ecosphere.

As you can see from the chart below, Research Affiliates' Real 10-year inflation-adjusted expected risk and returns forecast for the fixed income markets are modest at best.

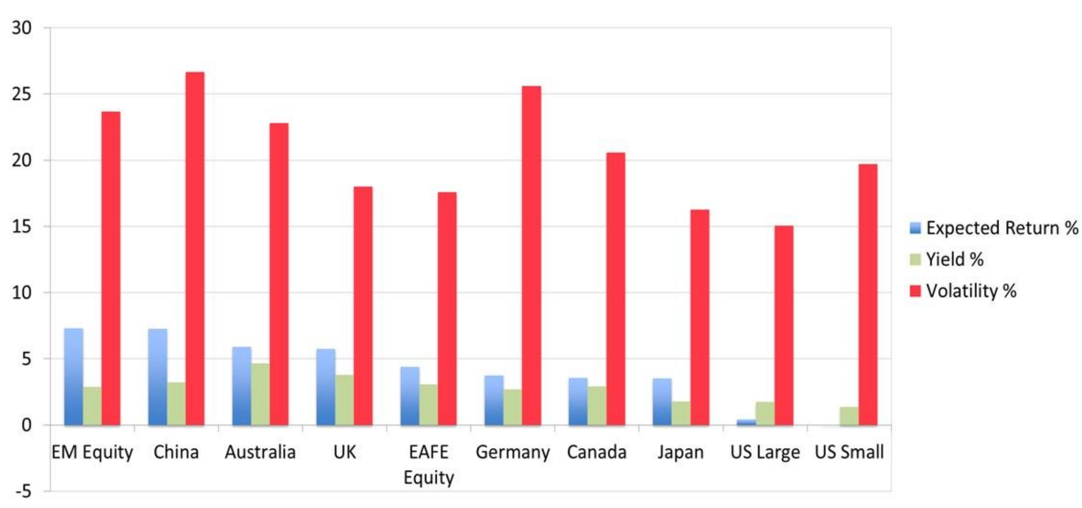
Research Affiliates' Real 10-year Expected Risk and Returns Forecast for the Fixed Income Markets



Research Affiliates' most optimistic forecast is for emerging bonds with expected returns of 5.7% and volatility of 12.5%. The lowest expected forecast is showing long-term US Credit at -0.5% with volatility in the range of 10%.

Research Affiliates' outlook for equities isn't much rosier. Below is Research Affiliates' Real 10-year expected risk and returns forecast for the equity markets.

Research Affiliates' Real 10-year Expected Risk and Returns Forecast for the Equity Markets



While traditional stock and bond investing is not completely defunct, the reality is that these investors may not be able to enjoy the same level of returns for the next several years as they have previously.

Even though these calculations are merely guesstimates, they do underscore the necessity for a properly allocated and diversified portfolio of investments – one that includes asset classes that have a low(er) correlation to more traditional investments. This is why in recent years, there has been a notable shift to alternative asset classes.

THE FLOCK TO ALTERNATIVES

In search of superior long-term risk-adjusted performance and diversification, there has been a groundswell of institutional movement into alternative assets over the last 25 years. The wide range of alternatives include: Master Limited Partnerships (MLP), Real Estate Funds, Commodities, Private Equity, Distressed Securities, Hedge Funds, Carbon Credits, Venture Capital, Film Production, Financial Derivatives and most recently, P2Pi.

As of the end of 2011, global alternative assets under management reached a record $6.5 trillion[1]. Today, alternative investment strategies are migrating to the retail market. McKinsey and Company predicts that by 2015, retail alternatives will account for 25% of all retail revenue – a figure likely to increase dramatically as emerging asset classes such as P2Pi proliferates in the mainstream.

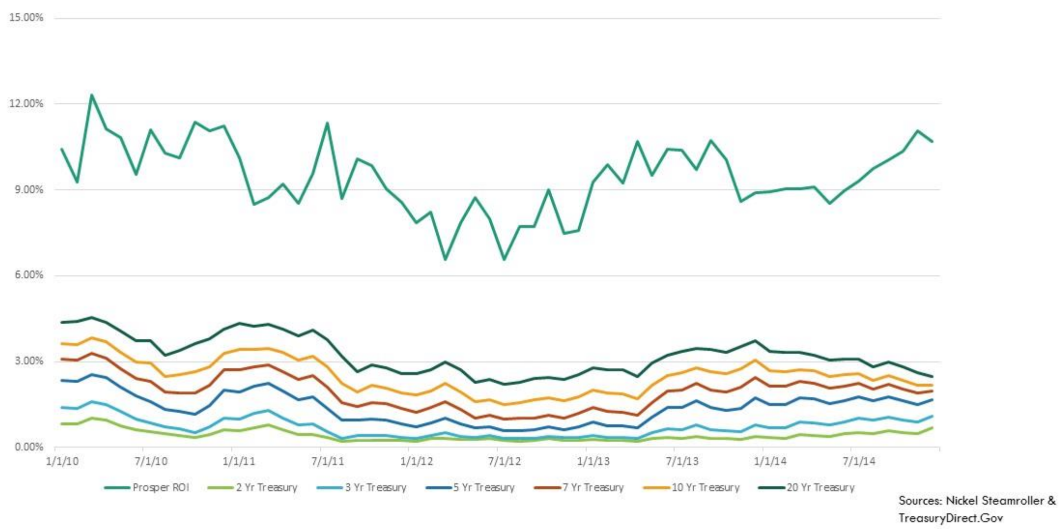
P2PI VERSUS TRADITIONAL ASSET CLASSES

With only a few years of data and without having gone through a full boom-and-bust cycle, it is really too soon to accurately calculate the correlation of P2Pi with traditional fixed-income securities. However, working with the available data, below are a few charts that compare P2Pi with other asset classes.

The following chart illustrates how Prosper's Notes fared against both short term and long term Treasuries since 2010. It is important to note that unlike Treasuries, the principal of P2P Notes is not guaranteed, thereby making the risk inherently greater. However, so far, P2P investors have been rewarded for taking that risk.

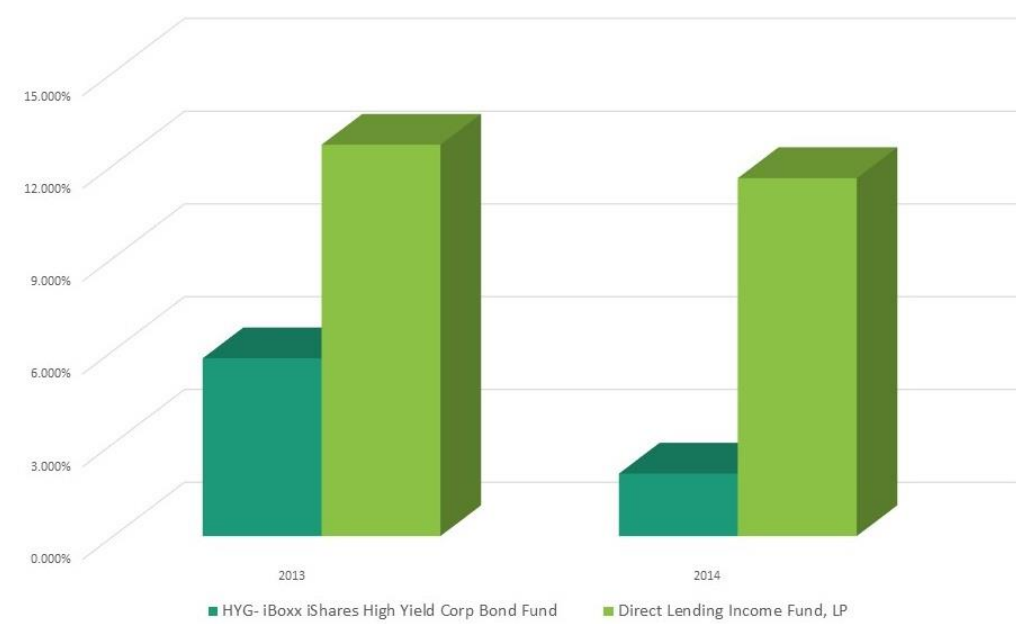
[1] SEI Investments Company

Prosper Versus Treasuries

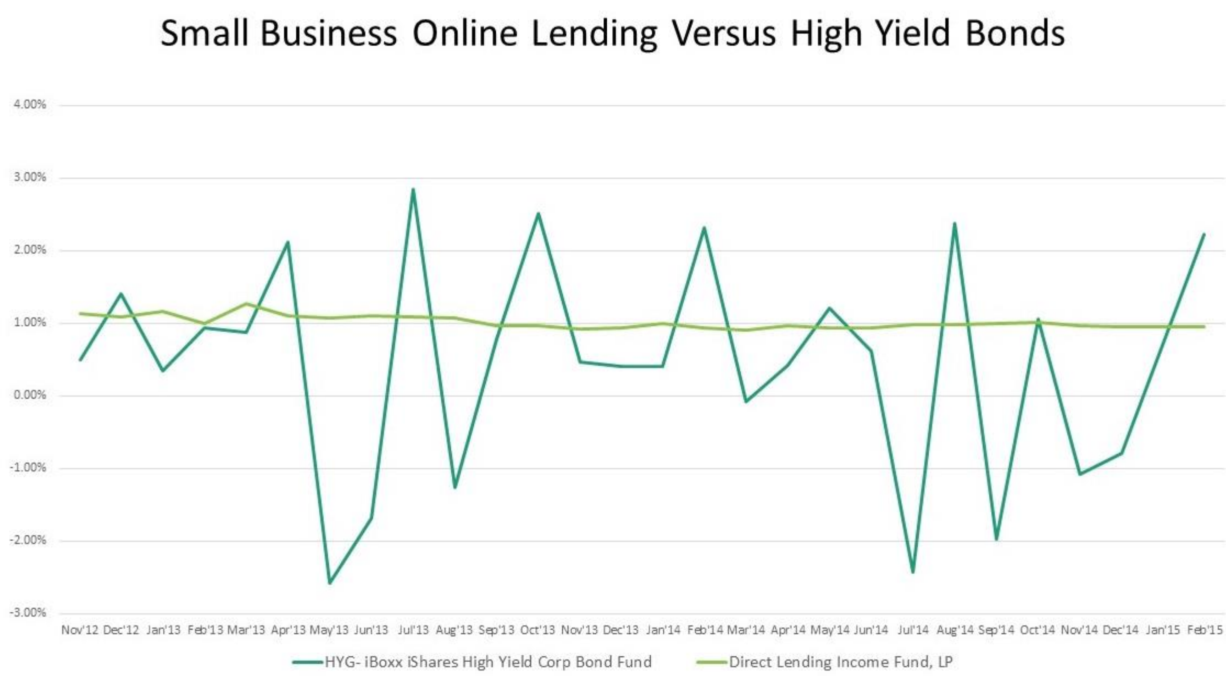


The charts below compare a high yield corporate bond ETF with the Direct Lending Income Fund, LP - a fund that purchases short-term, high-yield small business loans from online small business lending platforms including Biz2Credit, IOU Central, Quarterspot, Dealstruck and StreetShares.

Small Business Online Lending Versus High Yield Bonds



It is also interesting to note the variance in monthly returns.



WAYS TO INVEST IN P2PI

There are a number of ways that financial advisors can help their clients capitalize on P2P investing. The ideal methodology depends, not only on the amount of returns sought, but upon the level of involvement that the advisor wishes to take. For advisors who want to become very involved in the loan selection process, there are numerous technologies and tools available at his disposal. For advisors who prefer a more hands-off approach, they can opt to work with money managers.

The various methods are highlighted below.

Direct Platform Investing

The original method of direct platform investing still exists and many retail investors – particularly the early adopters – continue to invest in this manner. Online lending platforms allow investors to open up online accounts, browse through listed loans and lend money in exchange for interest. This strategy enables investors (or financial advisors investing on their behalf) to manually build a portfolio one Note at a time.

This is considered the most "hands-on" approach to P2P investing. Although it requires a time commitment to research the loans and design a strategy, this method can generate statistically higher returns – particularly for those who possess some knowledge in assessing credit risk as well as access to technology.

Analytic platforms such as Nickel Steamroller and PeerCube help by providing financial advisors and individual investors with the resources and technology necessary to analyze loans and compete more favorably with institutions.

Automated Platform Investing

Instead of manually searching through loans, platforms like Lending Club and Prosper offer automated options. These automated features essentially enable investors to customize their investing criteria and have the platform's technology locate the loans that meet an investor's conditions. While this method saves time, it is not recommended for investors seeking higher returns or looking to compete for coveted loans.

Prosper and Lending Club's automated returns average somewhere in the 7% range. While it certainly beats most conventional fixes-income returns, those taking the time to conduct research and build algorithms are faring far better.

For investors as well as RIAs looking for the best of both worlds – higher returns without the work – a better alternative may be going through a money manager.

Investing Through a Fund

Accredited investors should consider a professionally managed fund run by a team experienced in P2P investing. Most P2P fund managers possess proprietary algorithms that instantly analyze the newest Notes hitting the platforms. They also possess the credit analysis expertise to predict defaults with greater accuracy; thus generating larger returns. Additionally, a fund offers instant diversification to a large pool of loans as well as greater liquidity.

A number of funds have emerged that are specifically chartered to invest in P2P loans. Some of these include: NSR Invest, Direct Lending Investments, Eaglewood Capital Management, Prime Meridian Income Fund, Petra Capital Partners, Victory Park Capital, Blue Elephant Capital Management, and even Blackrock has a fund that invests in P2P.

Investing Through a Managed Account

Managed accounts are ideal solutions for unaccredited investors who don't meet the qualifications for private fund investing, but who are seeking higher than automated platform returns yet don't want to spend the time researching each and every Note.

Lending Robot and NSR Invest are two Registered Investment Advisors that specialize in this area. For a small fee, they will essentially manage the Note selection and investing process for smaller investors and financial advisors.

RISKS OF P2P INVESTING

Interest Rate Risk

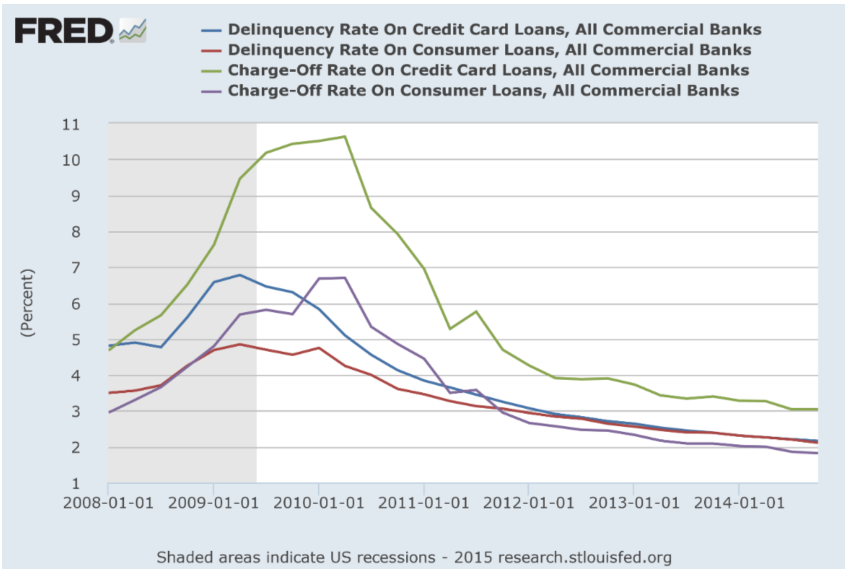
Unlike conventional fixed-income asset classes, P2Pi is expected to perform better in periods of higher interest rates. This is because when rates are rising, it is usually an indication that the economy is gaining momentum and unemployment is dropping. Conversely, the Fed typically lowers rates to stimulate the economy during periods of economic instability.

According to industry experts, interest rate risk isn't really a factor with P2P investing until we experience a 5% or higher Federal Funds rate. Since that is not expected any time in the foreseeable future, investing in unsecured credit card debt remains an attractive fixed-income diversifier.

Default Risk

Defaults are the main risk in P2Pi. Although defaults are exacerbated during economic down-turns and increased unemployment, they can occur anytime.

The following chart does a good job of explaining default risk. The four data sets are; 1) delinquency rates on credit card loans, 2) delinquency rates on consumer loans, 3) charge-off rates on credit card loans, and 4) charge-off rates on consumer loans.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (US), DELINQUENCY RATE ON CREDIT CARD LOANS, ALL COMMERCIAL BANKS [DRCCLACBS], RETRIEVED FROM FRED, FEDERAL RESERVE BANK OF ST. LOUIS

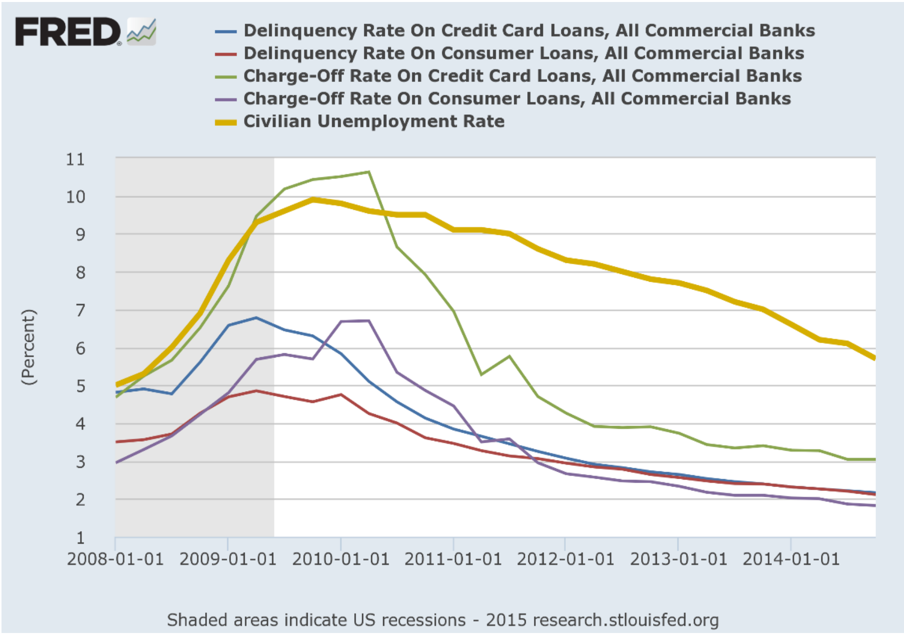
HTTPS://RESEARCH.STLOUISFED.ORG/FRED2/SERIES/DRCCLACBS/, MARCH 31, 2015.

The recent recession created a higher delinquency rate for both credit card loans and consumer loans. As expected we see an increase of charge-offs by issuers for both types of loans.

Between the first quarter of 2008 and fourth quarter of 2009 we see a rise in:

- Delinquency Rates on Credit Cards loans of 31%
- Delinquency Rates on Consumer Loans of 30%
- Charge-Off Rates on Credit Card Loans: 123%
- Charge-Off Rates on Consumer Loans of 93%

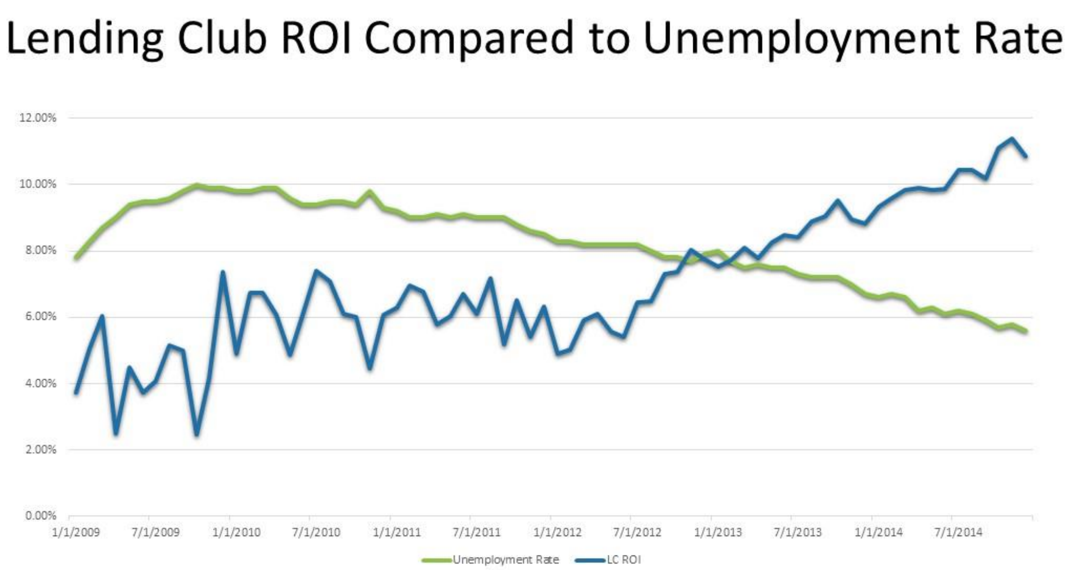
As depicted in the chart below, unemployment tends to correlate with delinquencies and charge-offs. When our economy goes sour, jobs are lost. When jobs are lost, people stop paying on loans. Some borrowers go bankrupt.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (US), DELINQUENCY RATE ON CREDIT CARD LOANS, ALL COMMERCIAL BANKS [DRCCLACBS], RETRIEVED FROM FRED, FEDERAL RESERVE BANK OF ST. LOUIS

HTTPS://RESEARCH.STLOUISFED.ORG/FRED2/SERIES/DRCCLACBS/, APRIL 1, 2015.

The following diagram illustrates how Lending Club Notes performed during periods of unemployment. It is important to note that the first few years of P2P data is skewed due to the small pool of Notes available to investors. Furthermore, P2P's underwriting has dramatically improved over the years. It has become more refined which led to increased ROI.



Sources: Nickel Steamroller & Bureau of Labor Statistics

Bottom line: The higher delinquencies and higher defaults during stressful financial periods along with higher unemployment will reduce P2P total returns. Without proper diversification, P2Pi could result in a loss of principal.

Liquidity Risk

P2P investments tend to be illiquid. Typical P2P loans are 36 to 60 month terms. While secondary markets for P2P debt have begun to emerge, they are still in their embryonic stage. Therefore, P2Pi investors should expect to hold loans to maturity.

If investors need immediate liquidity, they could try selling fractionalized Notes on Foliofn, a self-clearing broker dealer that helps individual investors facilitate transactions in less liquid securities. Orchard, a leading P2P analytics platform that provides order execution, reporting, and the hosting of investment strategies for institutional investors, is in the process of developing a much anticipated secondary marketplace for P2P whole loans. As the industry matures, expect liquidity to increase.

In the interim, if liquidity is a pressing concern, investors would be better suited placing their money in P2P funds. Because the capital is pooled from multiple investors, and not all investors need liquidity at the same time, managed funds tend to provide greater liquidity than direct Note investing.

MITIGATING RISK IN A P2P INVESTMENT

Like any investment, **diversification** and **due diligence** play key roles when it comes to reducing and managing P2Pi risk. Much of the P2Pi risk is unsystematic – meaning it can be reduced through diversification. There a number of different ways for investors to diversify P2Pi assets.

Diversification Within a Platform

Note diversification is essential in P2P investing, particularly when using only one platform. In order to minimize defaults, the consensus among most experts is to deploy capital in $25 to $50 increments across numerous loans. Depending upon the investment size, this could amount to the investor having pieces of hundreds if not thousands of loans.

Diversification among loan quality is also crucial. Each platform underwrites its loans and each has a different grading schedule. Typically, the higher the grade, the lower the rate paid to the investor and the less likely to default.

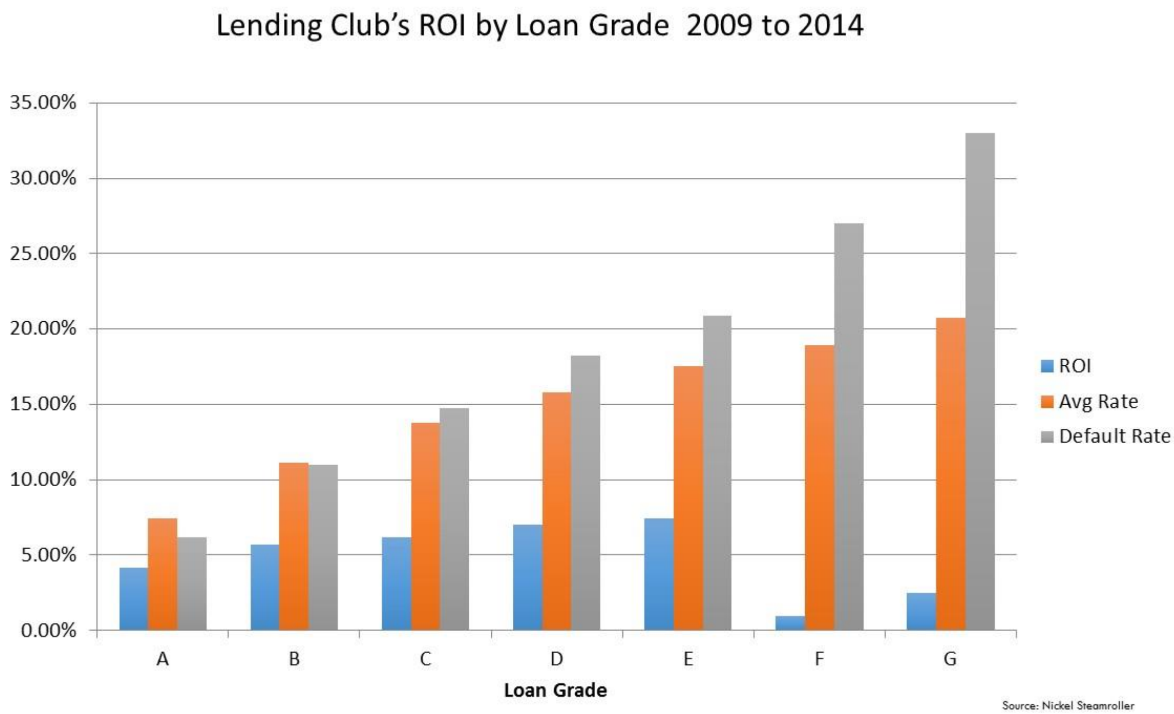
From Jan 2009 through Jan 2014 Lending Club's default results were:

- Grade A suffered a 6% default
- Grade B suffered a 11% default
- Grade C suffered a 15% default
- Grade D suffered a 18% default
- Grade E suffered a 21% default
- Grade F suffered a 27% default
- Grade G suffered a 33% default

Results of defaults for total return on investment

- Grade A's average loan rate is 7.41%. A's ending ROI is 4.19% for the completed pool of loans.

- Grade B's average loan rate is 11.14%. B's ending ROI is 5.69% for the completed pool of loans.
- Grade C's average loan rate is 13.75%. C's ending ROI is 6.17% for the completed pool of loans.
- Grade D's average loan rate is 15.76%. D's ending ROI is 7.01% for the completed pool of loans.
- Grade E's average loan rate is 17.56%. E's ending ROI is 7.41% for the completed pool of loans.
- Grade F's average loan rate is 18.91%. F's ending ROI is 0.97% for the completed pool of loans.
- Grade G's average loan rate is 20.72%. G's ending ROI is 2.49% for the completed pool of loans.



Because of the higher ROI, Lending Club's C, D and E's tend to be the most desired grades.

The key to successful P2P platform investing is to own small amounts of several notes across various grades.

Diversification Across Platforms

The sheer number of marketplace lending platforms has exploded over the past few years. Today, there are over a thousand online lending platforms in China alone. Due to the colossal size of the credit markets in general, there is amble room for an abundance of platforms. With platform technology relatively inexpensive, offline lending players have begun setting up shop online. This is a trend that is expected to continue, and one that will likely fuel the proliferation of online lending portals. We anticipate the emergence of niche portals centering on specific areas of real estate lending, inventory lending, receivable lending, franchise lending, medical procedure lending etc. The net result for investors will be the opportunity to diversify across a wider variety of lending platforms, giving them access to much broader array of private debt.

As with any investment, proper due diligence must be conducted. When researching a platform, financial advisors should ask:

- How long has the portal been in business?

- How many loans have they created?
- What is the default rates on their loans?

If a platform has higher than average defaults for a certain grade of borrower, it could be a sign that their underwriting may be off.

Diversification Across Money Managers

Just like not all stock mutual funds are the same, not all P2P managers are identical. They all use distinctive algorithms, invest on different lending platforms and focus on various segments of the marketplace. Some are concentrated in consumer debt, some on real estate loans and others on small business lending. Spreading capital across various managers would provide investors with algorithmic, platform, loan as well as industry diversification.

ENHANCING RETIREMENT PORTFOLIOS WITH P2PI

The IRA is the ideal vehicle for holding any type of P2P investment as it is conducive to longer term investing strategies and allows the interest to grow tax-deferred.

The power of tax-deferred IRA Investing

The chart below shows the power of "tax-advantaged" compounding. This illustrates an individual who, at 30 years old, begins contributing $5,500 each year to his IRA until age 70. It assumes a 7% compounding annual return. Investing with pre-tax dollars would enable the portfolio to grow to almost $1.2 million, an additional $470K than if invested with post-tax dollars.

The Rule of 72 states that dividing 72 by the annual rate of return will provide a rough estimate of how many years it will take for the initial investment to double with compounding. So, a return of 7% will double one's money every 10.2 years, or a return of 11% will double one's money every 6.5 years. Considering the Rule of 72, a properly diversified portfolio of P2P Notes provides an opportunity to obtain alpha in a well-diversified portfolio.

Self-Directed IRAs and Brokerage Firms

Since traditional IRAs do not support alternative asset investing, a Self-Directed IRA (SDIRA) must be used to invest in any alternative asset including real estate, precious metals, promissory notes, private equity and debt like P2Pi and new 506(c) equity crowdfund offerings.

Self-Directed IRAs - along with all IRAs - were created in 1974 under the Employee Retirement Income Security Act. However, SDIRAs differ in the type of securities that they are able to hold. While alternative assets are allowed, under IRS Code 4975, "self-dealing" securities are prohibited. For example, a real estate investment would be excluded in a self-directed IRA if the account holder dwells in that property.

Traditional brokerage firms such as Merrill Lynch, Morgan Stanly as well as online brokerages such as Schwab and E-Trade possess custody agreements which allow investors to invest in publicly traded securities such as stocks, bonds, mutual funds and ETF's. However, in order to accommodate alternative asset investing, these conventional brokerage firms need to partner with self-directed IRA custodians.

Self-directed IRA custodians are essentially trust companies that allow for alternative investments to be held in custody in the name of that custodian, for the benefit of the IRA holder. Whereas self-directed IRA custodians provide custody of an alternative asset, they do not and cannot offer financial, retirement, tax or legal advice.

Because of certain regulatory restrictions as well as fragmented nature of the industry, the SDIRA market has grown very slowly - both in terms of organic and technological developments.

The SDIRA Opportunity

The total IRA market, on the other hand, is mushrooming. It is now worth approximately $7.3 trillion and is comprised of about 50 million individual IRA accounts. According to the Government Accounting Office (GAO), IRAs now make up the largest segment of the retirement industry, recently surpassing 401Ks and 403Bs for the first time ever, with a marketplace value of $6.7 trillion. According the GAO, in 2013, approximately $324 Billion was rolled over from corporate 401K plans to individual IRAs - providing a huge opportunity for advisers to gather new assets under management. With an increasing number of retiring baby boomers rolling 401Ks into IRAs, this is a trend that is expected to accelerate.

It is estimated that SDIRA accounts represent a mere 1 to 2% of the 50 million IRA accounts. Self-Directed IRA custodians that are engaged in the P2Pi space are currently experiencing new account growth in the 25% plus range.

Even though there is strong investor interest in allocating retirement dollars to P2Pi, most lending portals claim that retirement investing is still a trivial percentage of their business. This is because purchasing alternative assets through SDIRAs remains a burdensome and expensive proposition.

Streamlining the SDIRA Investing Process

TECHNOLOGY UPGRADES ARE NEEDED TO EXPEDITE THE SDIRA INVESTING TIMELINE

Much like the antiquated legacy technology systems that allowed P2P platforms to disintermediate the banks, SDIRA custodians also depend on manual off-line technology systems that create a bottleneck between P2Pi investors and platforms with their 3 step process:

1. Opening the account – There is no real online account opening system. Opening an SDIRA account still requires original paperwork and wet signatures which is a 2-7 day process.
2. Funding the Account – Funding the SDIRA is typically a cumbersome 2-8 week process with minimal support offered to the account holder.
3. Directing the Investment – This not only laborious, it is error prone if investing directions are not meticulously followed and if subscription agreements are not precisely completed. This typically adds another 2-7 days in the process, but could take much longer if documents aren't prepared correctly.

With new P2P loans listed each day and lasting mere seconds before purchased, one can imagine the frustration of a nearly two month investing process. As the President of one of the largest P2P platforms stated, "IRAs should be 50% of our business. But, until the SDIRA industry can technologically automate and integrate, it will be an accommodation at best."

SDIRA PRICING NEEDS TO BE RECONFIGURED

SDIRA costs include annual fees, custody fees based on asset size, account opening fees, transaction fees, wire fees, investment fees and account closing fees. Most SDIRA custodians charge approximately $300 to 500 per asset, per year. Although some of the larger P2P portals have some pricing agreements in place, for the small P2P investor with $10,000 or $20,000 looking to spread capital across hundreds of Notes, the economics of SDIRA investing simply do not make sense.

THE INDUSTRY LACKS SUFFICIENT EDUCATION AND MARKETING

Since SDIRA custodians are not able to advise, endorse or recommend any investment, most investors – as well as many financial advisors - are unaware that IRAs can even be used to invest in P2P. Lending platforms that have tried promoting SDIRAs discovered that their investors were frustrated by the long and arduous investment process. As a result, lending platforms opted to rely on SDIRA custodians for marketing support. Unfortunately, since SDIRA custodians are prohibited from endorsing platforms or securities, the industry finds itself in a quandary.

THE SOLUTION IS ON THE HORIZON

In much the same way that the P2P lending platforms leveraged technology to transform banking, the SDIRA industry is beginning to incorporate technology to revolutionize retirement investing. The SDIRA industry has begun seeking ways to streamline the process and displace antiquated manual procedures. As a result, we anticipate that both the SDIRA investing timespan as well as SDIRA account management costs will dramatically decrease in the very near future. Furthermore, through third party firms, we are starting to see some traction being made on the marketing and education front.

The automation of the SDIRA process will not only accelerate the growth of the SDIRA industry, it will escalate alternative asset investing and open new opportunities for financial advisors, retirement investors as well as the online lending industry as a whole.

Most importantly, with more Americans accruing P2Pi returns in tax-deferred IRA accounts, perhaps the damage of the projected bankruptcy of the social security system could be alleviated.

P2PI CLIENT MANAGEMENT SYSTEM FOR FINANCIAL ADVISORS

New infrastructure is also being developed specifically to serve financial advisors.

NSR Invest - a retail friendly software-based investment platform that arose out of the recent merger between industry pioneers, Lend Academy Investments and Nickel Steamroller - has built a robust technology and service platform to support the distinct needs of financial advisors and RIAs.

For Financial Advisors and RIAs looking to manage their clients' P2Pi portfolios, the **NSR Invest Advisor Portal** provides visibility into many client accounts at once; full API integration with leading P2P lending platforms as well as detailed reporting and analytics. Furthermore, NSR Invest is uniquely structured to facilitate P2P investments via retirement vehicles.

Through the NSR Invest Advisor Portal, financial planners and RIAs will finally be able to maintain a very active role in their client's P2P portfolios.

USING ONLINE LENDING TO ACCESS CAPITAL

"The P2P finance industry is no longer a game of attracting investors, it's finding borrowers that match investor demand." – Nickel steamroller

In addition to enabling clients to capture additional portfolio yield, financial advisors can employ P2P to help them access small business capital or refinance debt. By introducing more borrowers to the marketplace, financial advisors are uniquely positioned to help replenish loan supply and fuel the growth of the online lending industry.

The charts below list a few of the leading lending portals that financial advisors can explore on behalf of their clients.

Consumer Lending Platforms

Platform	URL
Avant Credit	avant.com
Best egg	mybestegg.com
betterfinance	betterfinance.me
borro	borro.com
Borrowersfirst	borrowersfirst.com
CircleBackLending	circlebacklending.com
eloan	eloan.com
Karrat	karrat.com
Lenddo	lenddo.com
Lending Club	lendingclub.com
LendUp	lendup.com
PAVE	pave.com
peerform	peerform.com
Prosper	prosper.com
SoFi	sofi.com
Upstart	upstart.com

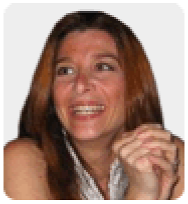
Small Business Lending Platforms

Platform	URL
CAN Capital	cancapital.com
Capital Source	capitalsource.com
Dealstruck	dealstruck.com
Funding Circle	fundigcircle.com
Fundation	fundation.com
IOU Central	ioucentral.com
Kabbage	kabbage.com
Lending Club	lendingclub.com
Merchant Cash & Capital	merchantcashandcapital.com
OnDeck	ondeck.com
Quarterspot	quarterspot.com
Raiseworks	raiseworks.com
StreetShares	streetshares.com

CONCLUSION

- *As P2Pi has gained institutional acceptance, retail access diminished*
- *There aren't enough P2P loans to facilitate the strong investment appetite*
- *Although the industry is still young and has yet to go through complete economic cycles, recent data suggests that P2Pi is outperforming traditional fixed income asset classes*
- *Particularly in an uncertain interest rate environment, lower correlated alternative assets have become increasingly crucial to retirement portfolios*
- *Although Financial Advisors are a demographic that the P2Pindustry has yet to penetrate, their inclusion could accelerate the growth of the global P2Pi industry by bringing credit worthy borrowers and significant long-term retirement capital*
- *Many new P2Pi products are emerging to support Financial Advisors and their retail clientele*
- *As the SDIRA industry overcomes its administrative and infrastructure challenges, we expect to see the proliferation of SDIRA accounts as well as retirement dollars flowing into P2Pi*
- *Finally, and most significantly, we believe that engaging the financial advisory community is necessary to narrowing the wealth divide and fending off a looming retirement crisis*

AUTHORS



Dara Albright is a recognized authority, thought provoker and frequent speaker on topics relating to market structure, private secondary transactions, next-gen IPOs, P2P and crowdfinance. Albright has held a distinguished 22 year career in IPO execution, investment banking, corporate communications, financial marketing as well as institutional and retail sales. She is a visionary who continues to introduce rising asset classes and crowd-structured financial products to the Wall Street community. Through her NowStreet blog, Albright was one of the earliest voices covering the JOBS Act and advocating for greater democracy in the equity and credit markets. She produced the very first crowdfunding conference in January 2012 which was headlined by key JOBS Act architects: Congressman Patrick McHenry and Dave Weild. That event helped birth the crowdfinance movement and led to the founding of the industry's trade and leadership organizations of which she co-founded. She co-founded LendIt, the largest and most recognized global p2p & online lending conference organization as well as the FinFair Conference, the first forum to showcase the leadership, products and technologies that are driving the democratization of financial services. Some of the most prominent figures in the financial industry as well as the legislature continue to participate in Albright's events. Her leading-edge articles that have helped shape the direction of the crowdfinance industry can be found on Equities.com, Crowdfund Insider, Seeking Alpha, Investing.com and Business Insider. She has been featured in Forbes, ABA Banking Journal, Thestreet.com, Private Wealth Magazine as well as in a number of leading industry trade publications. Albright continues to help issuers, investors as well as financial service providers across the globe capitalize during this unprecedented period of financial industry disruption and regulatory reform. Prior firms she worked for include: Unterberg Towbin, Morgan Stanley Dean Witter, Divine Capital and Citigate Dewe Rogerson, where she held securities industry Series 7, 24, 31 and 63 licenses. She is a graduate of the George Washington University. Visit www.daraalbright.com for more information.

James A. Jones is the CEO and Founder of the IRA Exchange and Self-Directed IRA Investment Institute. Invited to the White House Crowd funding Champions of Change, he is a nationally recognized Self-Directed IRA speaker, author and educator and Certified IRA Services Professional. Mr. Jones is a regularly featured speaker at Crowdfunding Industry Association events and presents on industry record attending webinars with Morningstar and Key Partners on truly diversifying retirement plans though alternative assets in IRA's and Solo 401K's. James A. Jones works directly with IRA holders, as well as Crowd funding portals, Broker Dealers, Hedge Fund Managers, Tax Attorneys, CPA's, Registered Investment Advisers, Family Offices and Real Estate firms and associations. He is the author of the series "Retire Richer" with "Self-Directing Your Retirement", "Self-Directed IRA Workbook", the Industry's first practical step-by-step guide in the process of investing in self-directed IRA's, and "Self-Directed IRA – Prohibited Transactions". Having spent over 20 years in financial services working for firms such as Merrill Lynch and Wells Fargo, Mr. Jones has Series 65, 7, 63, insurance and mortgage licenses as well as a graduate degree in Finance from Harvard University. James serves as the Co-Chair of the Investor Committee of the Crowd funding Intermediary Regulatory Advocates (CFIRA), the Board of Advisors for CROWD and is a Founding Member of the Crowd funding Professional Association. Visit www.IRAeXchange.net for more information.

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