PITCHIT FINTECH STARTUPS PODCAST NO. 41-JARED SHULMAN & JERRY SHU

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Product Officer, LendIt Fintech.

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Todd Anderson: On Episode 41, I talk with Jared Shulman and Jerry Shu of Lendica. Lendica is a truly embedded finance company focused on smart lending. They provide simple and transparent funding solutions for businesses at the point of decision and embedded finance has just really taken off in recent years and one of the biggest beneficiaries of this movement has been small businesses.

You know, SMBs finally have, in the post-COVID world, this post-banking leisure on the option world, they finally have the solutions that fit their needs and Lendica is clearly one of those new age solutions. Jared, Jerry and myself, we talk about the different terms being used to describe embedded finance, Banking-as-a-Service, APIs, there's all this jumbling of these different terms, the potential of a branch-free world in banking, how much fintech has helped SMBs, raising capital, founder advice and a whole lot more. So, without further ado, I present Jared Shulman and Jerry Shu of Lendica.

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Welcome to the podcast, Jared and Jerry, how are you, guys?

Jared Shulman: I'm well, Todd, thanks for having us.

Jerry Shu: Hey, Todd

Todd: Alright. Well, you know, I'd like to start these things off if you can just introduce yourselves to the audience, give a little background and where have you guys been professionally prior to starting your current firm which is Lendica.

Jared: I took the hedge fund route and actually, Jerry and I met, it's kind of a funny story. We met at this fintech networking event, you know, I'm Jared Schulman, he's Jerry Shu and they actually gave us the wrong name tags and figured we might as well be friends. So, he was at JP Morgan, I think this is actually before he even had exited from the blockchain startup he was working on. We would meet around this fintech networking event and we just talked a little bit about, you know, our favorite topic was the future of, like the future of that so we talked about, you know, maybe we were going back and forth on email, the future of communication or playing around with some of these dating apps, like the future of dating and it was like around one of these talks, I was sharing a story.

I do this CFA financial literacy course, I teach this to high school and college students and there's this section on banking, spent a lot of time talking about the difference between big and small banks and the lecture always said you should go with a big bank because they have a branch on every corner, you can always go to a bank branch. We would always chuckle to this, the students would inevitably raise their hand, they would say, excuse me, Jared, but like what the heck is a bank branch and Jerry and I started talking about that like really seriously, like what is a bank branch, what's the future of bank branch, what's the future of banking. I mean, are all these high school and college students, these future stars, future small business owners, are they going to be going to your community bank, to walk-in and open up an account or get a loan and we're pretty convinced that they probably wouldn't. And so, we started playing around with that, we knew we were on to something.

Jerry: My background was mostly around this like financial technology, financial risk management side. Beforehand, studied at MIT on the fintech track or finance track and joined JP Morgan on the research team for (inaudible) trading, all those are (garbled) new knowledge and I started really thinking like hey, what's the role that can make a bigger impact so decided to take this entrepreneurship track.

Our first startup was a crypto exchange for options and other (inaudible) and then Jared and I were talking about this notion as in the future of banking, the future of lending and then we started thinking hey, we have this auto drive, level one to five automation in driving so why don't we try it on lending and we agreed on the vision of it's data-driven. Every single impact or the business owners' action should have a direct and immediate impact on the credit line and cost so we can build something that can be super cool and deliver that vision to the world. That's how we kind of got started on this one and seems to be taking off a bit as of now.

Todd: Do you guys always see yourselves as entrepreneurs eventually and now you mentioned you started in the hedge fund world and Jerry, you mentioned you had already started at least one company. Was it always your vision for both of you to hey, I'm always going to be an entrepreneur eventually, maybe I'll get my feet wet in banking or the hedge fund world, but eventually, I'm going to start a company.

Jared: Absolutely. I studied at Babson College, I studied in entrepreneurship. You know, throughout the time in the hedge fund space I had a couple of startups, unfortunately not as successful as what we've accomplished with Lendica, this whole notion of finding opportunity in super unique, super esoteric spaces, something that has always been like really interesting to me, you know, one of the reasons why Jerry and I really got along at first crack.

Jerry: Same here, I think. Throughout the education, even in the early days as a kid, I would always ask my parents, ask teachers like what's the purpose to study and it comes to me as in, if you really want to do something, that's been something I'm really enjoining, do something that can have a little impact. I think in the early days, I always knew that one day I will go that route.

Todd: So, can you give the audience an overview exactly what Lendica offers, the product set, who your target customers are and while answering that tell us how you came to the name Lendica.

Jared: We think lending should be more fun and so like what's more fun than a "ca" sound, that's how we found ourselves into the name.

Todd: I always find how people find names is interesting. I've heard a startup opened up a Latin dictionary and picked a name that way, I've heard your way, I've heard accidental ways, I find it interesting how people come to the names of their companies.

Jared: Absolutely. And what Lendica is an embedded finance, you know, the sharing of a little bit more about like the story Jerry talked a little bit about the importance of the data that we talked about like the future of banking…really, in talking to these small businesses, it's funny we have…on the way to lunch when we go to get lunch, we have this ETC ratio that we tabulate and it's the employee to customer ratio of these bank branches, needless to say, it typically skews well above one.

You know, we start to bag the question, where are these small businesses spending their time, their banking products, I mean, more importantly, where are they spending their time just in general to operate their business. Certainly the goal of embedded finance is to find people an optimum great financial services products like write out what we call the point of decision, right, when they're looking to make those different financing decisions to manage their business.

What we found is that the SaaS platforms, these order management systems, these ERP systems, these point of sales systems became not only like a great tool to help them just to operate the business, but it's actually a really like great resource to help them plan for the future, help them to assess how the business is running and help them to make that, like where to spend more money, where to spend more time. It turns out that it's also a really great tool from a credit perspective, you know, what Lendica does with this product we call the I-branch. It sits right on top of these Saas providers, just a few lines of code and they can install it and overnight, they have an entire lending suite available to all their customers right from their SaaS platform.

Jerry: On that note, we think…so basically we can kind of have two layers of products. On the tech side, as Jared mentioned, we have this I-branch which is essentially this integration and a way for any small or mid-sized business to access our lending products through the SaaS provider on top of that. So, that really creates extra deal flow and on top of that we have what we call lending base which is this honorary (?) engine which we discussed at the beginning of the podcast which is machine learning through the model that can make instant credit decisions based on all the operations data from the business owners.

So, basically the second part, that's kind of the third product offering for (inaudible) and as for our end customer eventually for the small business what they will see are products offerings tailored to their need supply chain financing products. So, we have three products called Fund Now, Pay Later drawdown, but essentially that evolves in the concept of hey, I want to pay my account payable in a more flexible way, I want to get easier collection for my account receivable or I just wanted some cash to cover some of my temporary expenses. So, these are the products actually geared towards their exact needs which to an extent is lacking in banking coverage so we found that sweet spot for the financial products offering through the products.

Todd: You know, you mentioned the three products, is there a typical version that if I were to come to you guys and say hey, I think what you guys are doing is interesting, I'd like to implement what you guys are doing. Is it customizable, is there one-size-fits-all, how would it, you know, work from a perspective of alright, I want to offer these, do I offer everything or is there pieces that I can offer?

Jared: For example, an ERP system will come to us and maybe they're servicing like the nutraceutical contract manufacturing space and they'll say look, you know, our product is really good, we integrate Quickbooks, make sure their accounting is all set, we have our own invoicing tools, we have our own fulfillment software, we also have this great software layer that helps our customers manage their inventory. And so, just based on like where they sit, where that software sits within the supply chain, we can recommend one of our few tools, one of our few financing tools to the SaaS customer so in this case, our Fund Now and Pay Later products are like a really good fit.

Fund Now, as Jerry mentioned, is within the supply chain, it's like an account receivable tool so maybe you're a small business and your customer is not going to pay for 90 days, that's the terms that you've offered them, but you need cash up front, you don't want to have to go out to the equity markets where it could be expensive or, you know, try to find a small business loan which is nearly impossible, you can actually pull cash out of your accounts receivable now with a just a few clicks directly from this ERP software with Lendica's I-branch. Same thing goes with Pay Later where you have accounts payable, maybe that vendor wants cash up front, you want to delay the payment, we allow you to do that directly from the system with this other accounts payable product called Pay Later.

Jerry: A little bit add-in from the SaaS provider perspective, for example, you put the ERP system to the enterprise management system, it makes more sense to integrate it with all of these outmoded supply chain sort of Fund Now, Pay Later product, but also, for example, the banking software side, a lot of times they're more interested in the cash withdrawal type of products so essentially the sort of initiation of any of the partnerships we discussed with our partner what will be the most likely product fit for the customer and then we will actually select the ones that sort of fit in their purpose the most.

Todd: So, in terms of, you know, embedded finance in fintech today there's a lot of different terms out there. There's embedded finance, Lending-as-a-Service, infrastructure, is there a clear definition in your mind as being in the space as to what these different terms mean? Do we need a clear definition, does it really matter ultimately?

Jerry: It's funny, we had this reading club internally. For a period of time, we were reading all these supply chain/fintech report from all the central banks and the world banks of the world and seems actually, to your point, the whole step of wording people are using a lot, they're not only talking about the same thing and creates the confusion so like people don't speak the same language, you both are referring to the same thing. So, both happen to aim at the traditional supply chain finance world and also in the fintech space.

Understand it's early that's why, everyone coming up with different naming to talk about the described problem and issues, but also I think having a universal sort of naming so people refer to the same thing makes this so much easier in combination, so much more effective so that's I think what we see. Internally, we actually have a Lendica glossary, we have specific definitions as in, you know, this refers to that inventory of finance not as in this and that, it's specifically that so we think the same. Hopefully, one day given the industry gets more mature, we will have a universal naming of things I am referring to.

Jared: Look, there's like a lot jargons out there and so it can get really confusing, to Jerry's point. The other thing that I'll add to that, we think that there's maybe like a clear distinction in what embedded finance is and it can be described as whether a business, and this is related to lending, whether a business is collecting data strictly or collecting, processing and then providing credit decision and like the reason why we feel that's so important is that even though the collection of data is really important and the processing of data is really important, if you're not actually making the credit decision and funding the loan, you're actually a call center.

So, like that call enter it's important to note because that eventually gets passed on to the customer as like a higher rate and so we think it's really important for embedded finance companies, I guess you can them the truly embedded finance companies, yes, they do a great job of collecting the data, processing it, but then also doing the hard work which is pricing the credit and then funding the customer. So, to us that's what a truly embedded finance company should be.

Todd: With some of your products I see on your website when I was doing some research for this, you know, flexible working capital, scale operations as you need six to 12 months up to $2 Million, so are you guys working with finance partners that help finance that $2 Million, do you hold that on your balance sheet? How does that work for your lending products when working with some of these businesses?

Jared: We have three rules internally to the fund what embedded finance is and so, you know, one, it has to be right there and so that means right at that point of decision, if someone wants the loan, they've got to see it. Two, it has to be beyond simple, to Jerry's point, there's just so much jargon, like really what is accounts receivable, you're skinning paid cash ahead of when your customer is and so it has to be super simple, beyond simple. And then the last thing, and this is really important, it's something that we now feel, Jerry mentioned level one to five in out of driving, out of credit, we now feel that the industry is at a point where this is possible, it has to be instant, keep on the consumer space, you think about Affirm, you know, Snapcommerce, these kind of groups, but they get instant credit and this is now possible in the small business space.

And so, to that point, the only way for that to truly happen, to have like instant credit, is for it to come directly from our balance sheet and so we're a balance sheet lender and then how you end up sorting out that paper, whether we sell it to private credit funds or a portion of it or hold it on the balance sheet. That becomes more of a function of this risk management where there's not too much concentration, but it's very important. Yeah, we're the balance sheet lender and we can make the final decision instantly.

Todd: Small business lending has been a mess for a long time. Businesses even prior to fintech, you know, businesses would basically be begging their banks, you know, can I get a loan, can I get part of the loan I'm asking for, can we get some help. Fintech comes along and makes that a bit easier though here's always a trade-off, probably a bit easier for higher rates. You know, pandemic comes and it seems as if there's this slight hope that goes on beyond fintech, in the banking and other areas, but, you know, small businesses are clearly not being served the way that they need to. Do you think we're finally on that path of alright, small businesses are getting the help and funding needs that they finally deserve, regardless of the size that they are?

Jared: Look, 2008 came and the banks basically closed up shop and they said, you know, small businesses, sorry, we're not interested. What happened, well, I think attention to the small business actually did kick off, but, you know, we would classify that as like really bad attention so what do we mean by that? The MCA market is merchant cash advances, they served a real purpose to an extent in that they did provide capital to the small businesses and the banks that weren't able to provide the capital, the company still got the loan, but it became every clear, and this is over five, six, seven years, this is not sustainable cash flow.

You see MC stocking, you now, more than 100% of their revenue was actually going out the door to these MCA products and so when COVID hit and that's really, I mean, you brought up a really interesting inflection point, you start to see programs like the PPP Program where these small businesses were getting access to capital at effectively zero percent interest. I think that inflection point, that light bulb that went off is it's time to give good attention to the small businesses, let's start to give them fair rates and even if the cost of capital comes up from these PPP loans, this MCA product which really was devastating to some businesses, I think that's now out of style. So, I think that was a really important inflection point.

Jerry: And also from the technology perspective, I think before everyone tries to reach out to small business, they try to evaluate the risk of these small businesses, but it's almost impossible to do simply because there's no way to have a transparent look of the operations details of all these businesses so that's part of the reason why the banking and traditional financial institutions they sort of walk away from this even though it's like a giant sector of business. But, I think, finally, it comes to, in 2015, and now of the world where with these SaaS providers, these day-to-day tools the small businesses are using to help them operate the business better.

Now, all these data can be used to measure the business, you know, more or less the transformational way compared to like five/ten years ago so now, finally, we'll have a critical point where now there is a chance to really evaluate the risk of small businesses, like properly so they (inaudible) take in the trend of, we call it like (inaudible) the tech startup is really automation, you build a form to automate, you know, handwriting forms. In 2010, the startups are trying to just beat that collection, they're like collection here, collection there and now, in 2020, for the startups is really now we can act on the data that's collected on this automated process to do something and we think one of the biggest application we are building here around lending for small business is a great chance of taking what we have and to bring it to the next level.

Todd: Pick me up on something you were just saying there, you mentioned the automation and acting on that, you know, is there I guess a potential fear that too much of the lending experience becomes fully automated and to the small business owner, much like the homeowner in many ways, doesn't have someone that they can necessarily call and get a better sense.

You know, the most complicated thing that most people do in their lives is buy a home, but small businesses are very complicated in and of themselves and I would argue that that loan feels closer to a mortgage in the complexity of it potentially than unsecured consumer credit might be. So, is there a fear eventually we take humans completely out of it and small business owners feel like they're just getting capital from bots or robots?

Jerry: That's actually a very good point. I think in the lending sort of founding process we're trying to identify like what's the three most important sort of principal or key word we need to speak to and actually one of them is a human. So, I think the whole process, what we are building is actually to make the lending process humane, why we think it's not humane right now, think about like even in the mortgage space, how many calls do you take, how hard is the compare rates when it comes to documents process, it's just a mess. So, we really want to use technology as a helping tool not as an ending goal or praising anything or anyone, but more as a helping tool to make the process enjoyable.

As Jared said lending can be done to make it fun, it's possible, it's doable, that's really I think the way we are thinking about it.So, having the human sort of talk to someone I think is a component where people want the trust, they want to be able to understand things and we certainly believe technology in various forms, for example, from the you express design, from the AI design. I think we have to mention our Head of, you know, Express Design, she did a great job as in understanding what exact information these small business owners want to know and how can the whole sort of automated process make them feel better and comfortable and trust the process.

So, we believe all these will end, now we can pursue this efficiency so efficiency as in from the standpoint of wanting a loan to actually getting it to your bank account. We want to make that as quick as possible, but, meanwhile for the user experience we can maximize that so that people feel it's such a reliable, trustworthy process and then they feel the same as I'm working with the most trusted friend from the old school, that kind of concept, but now in a digital format so that's what we're trying to deliver through our tech.

Todd: You know, I think those of us that live fintech every day, whether it's myself with, you know, a fintech media and events company, you guys running an embedded fintech company, there is this thinking that fintech is so big, that made a lot of progress the last ten years, but in reality, a lot of people still have no idea what fintech is. They still very much associate finance with, you know, the Chase, the Bank of Americas of the world and so I guess my question is how much more do we need to do to continue to get this message out there, especially to a small business community that probably still feels, even after PPP, like they don't truly have I guess lenders or those on their side in the financial services community.

Jared: As Jerry mentioned earlier, embedded finance really is just an amazing scene, I mean, if you think about….just like the sheer size of supply chain trade in general, it's a $5 Trillion industry, we talked to some of these lenders out there, it's still an incredibly manual, in some cases even arbitrary, process. I mean, I hate to say that, but there is still just a very human element to the underwrite groups like ours are about to change that, you know, you talk about like how do we get more access to some of these main street businesses. In a corporate world, like the integration is actually seamless so we talked about this at the beginning of the call, you know, these small businesses today are relying on the SaaS platform and it happens in like every industry.

I mentioned nutraceutical contract manufacturing, ranches, the ranches of America, it used to be a very manual process, now they have this really great SaaS platforms to manage their entire herd, to track the feeding, to even process invoices. And so, you know, just there exists an opportunity to get them really great financing, even being able to borrow against their cattle. And so, to us, really the way to get to the main street business is through the SaaS providers that are powering the main street business. You know, as I mentioned, in a perfect world the integration is so seamless that they don't even notice, it's just a pleasant surprise of our new feature, you know, I think that's the way that we help.

Todd: So, you mentioned the teaching that you do and the asking of the kids of the bank branch and I think you have a piece on your website about a branch-free world, you know, how far do you think we are away from that? Bank of America, they're just adding branches, while they're taking it to some markets, they're adding it in others, same with Chase. I mean, I live in Long Island, there's a Bank of America five minutes from here that has just built a branch and so do you think we're, you know, two/three decades away from that shorter?

Jared: We'll have to take a look at like the leases on these things….

Todd: (laughs) That's true.

Jared: …and kind of sit. Look at what's happening with Capital One and their branch model, they're turning them into coffee shops. You know, look at what's happening with consolidation of these community banks, they're recognizing that they just have a really hard time, you know, originating new business and so their biggest call center are the people in real estate and they're folding by the day. To make an estimate on when the branches end, I mean, that's probably something more for the crystal ball, but, you know, we certainly start to see what a transformation, a big transformation towards the digital era.

And so, what is a bank and what are these branches trying to accomplish? It's really real estate, right, it's real estate to get in front of the customers where they are. We think that like the much more valuable real estate now is that digital real estate, like where those customers are, perhaps the most valuable real estate are on these SaaS platforms that are powering the small businesses so that's why, you know, our model where we connect Lendica's I-branch to the Saas platforms, the SaaS platforms actually make on a piece for every transaction that is done and help their small business customers to…….

Jerry: And also to completely sort of removing that banking piece or actually fully integrate the banking pieces into our day-to-day every single small process, I think we are working very hard to sort of automate the lending side of things where you also have the payments from the web (inaudible) of the world, we also have the next generation of insurance. I think all of these extras of the fintech effort is trying to create a new dynamic system so that people can better enjoy every finance services rather than thinking of the burden to all the people so I think it's a collective effort and we'll finally get there and I think it will happen quickly than people thought.

Todd: What's the biggest lesson you guys have learned since launching the company about your company?

Jared: The biggest lesson we learned, and maybe this is a bit more generic, I say we…..maybe, Jerry can either share and offer a different valuable lesson, but in any business there are want-to's and there are have-to's and the have-to's are typically like what powers and operates it. There are things you have to do and execute on to keep the business going, but the want-to's, those are the things that, you know, three, six, twelve months you'll have wanted to do and that's what helps the business grow. As any entrepreneur knows, it's not typically a 9 to 5 and so we try to spend the core of the working day on how-to's, but those nights and weekends we really have to spend time on the want-to's and that's how you eventually grow and scale the business to new, exciting areas.

Jerry: And also from the more internal management perspective, I think one of the most valuable lesson we learned is an app that's called surgeon model for the whole team to operate as in one person will be in charge of one project and everyone else are helping hands for this particular person. So, now that decisions have to be made quickly, all the projects have a person in charge and that actually keeps our whole sort of product process very smooth so that's kind of while the (garbled) pick up, but once we pick it up and then (inaudible) actually find such a powerful way of managing unlike the traditional way of like hierarchy structure. You have this pyramid, this one person on top and everyone falls underneath so we found this like surgeon model that would actually encourage other startups and even the corporate world of America will try is a very interesting new way of management.

Todd: Best piece of advice you've received from someone, it could be from Jared, you received it from Jerry or vice versa, an investor, best piece since starting the company.

Jared: Don't look down, right, don't look down, I mean, look ahead, look a year ahead, look five years ahead, look, if you can, 50 years ahead, but don't look down. Jerry and I talk a lot about it, there's lots of opportunities out there, there's also lots of challenges to the extent that you can sift through those challenges and just focus on the opportunity, you know, we found it as being kind of like a good mantra to keep charging through.

Jerry: Yeah, and also, I think another piece of advice is like people can come down to, I think, personally, on the founding team and also on the core team side, I think everyone here is like super reliable and supportive so I think it creates a very positive environment day-to-day even though there's a lot of chaotics going on. That, I think, provides this piece of clarity, interaction that enhance sobriety, very important.

Todd: I want to shift a little bit in the conversation. You know, I know, Jared, you mentioned the have-to's and the want-to's, but at the same time, in terms of staying up on kind of what the latest technology is or ensuring that you guys are working with the latest innovation, how do you prioritize one versus the other. I mean, I think, Jerry, you mentioned you've started a blockchain company, that's an emerging technology, how do you ensure that you're always going to be where you need to be on the innovation curve and before you know it, wow, we're behind again. So, how do you kind of stay ahead there?

Jerry: From my perspective, never do the chase, if you keep chasing like there's no way you will catch the frontier of things. I think there was this famous advice I think quote by Steve Jobs, he was quoting from this famous hockey player, you never chase the ball, but you move to the direction where the ball is going to be, but I think it's just generally like from the whole team perspective. Everyone is so curious and interested on what's happening as in growth of technology, as in growth of the business and what's the current state of the world and then people keep coming up with these great ideas and you really, this is again back to the team and "surgeon model," give people the ability and time and support so they can explore the new direction and encourage people to support them to explore new things and also keep the whole organization curious and infused with new knowledge.

I think that's truly the core I think to have the company ongoing and keep an eye on the latest. So, for example, our lending side of things, even the work we focus on our day-to-day as in providing the best supply chain products. Also, there's a lot of new innovation as in hey, how can we embed with free technology, how can we change some of these different economics around here and play with that, I think those are new thoughts and all these little, we call it new ideas, you have to preserve them so well and encourage them to grow. I think that's totally the core to keep on the frontier of things.

Todd: How big is the team today, everyone located in Boston, you're a bit distributed, you know, what does the team look like?

Jared: We're a remote first organization, Jerry and I are here in Boston, but we have people, you know, from LA, Washington, New York. The team is ten and growing really quickly, in fact, we just signed this term sheet, we're going to be closing on our next round of fund, we're going to be hiring a few more. Look, when it comes to, certainly at the inception of the business and early stages, what Jerry and I have found is that working together in the same city and bringing, Jerry mentioned Shi and our Head Engineer, Keith, onsite often, it really helps, like it helps not just build that trust, that level of trust but helps really push through some of these critical issues early on, but you can always also be. you know, quite effective remote too provided that you have that layer of trust. So, that's the way that our organization structure is right now.

Jerry: Yeah. We've identified there are things that the product faces or cycle, there are certain periods that needs to be, like day-to-day, face-to-face, very intense brainstorming sessions analyzing the ideas stage, the product planning stage and once it comes to actually the implementation stage, it's actually mostly individual work so that way everyone works remotely that perfect planning, actually, even more efficient because in the office (garbled) talk and not do anything. And then, at the very end towards where's it's kind of the launching phase, everyone needs to come back and bring in whatever they implemented put together, that becomes another intensive period of talking, discussion, etc.

After identifying kind of those critical periods, our strategy is how about we work from home versus in one office. During the period where we've identified like communication is needed, we actually bring everyone onsite to Boston and we'll do a two-week spring on all these planning, integration, after that probably two months implementation period, now hey everyone, go home, like focus on what's really important as in implementation. So, we feel that's working really effectively and people are also enjoying this kind of work model.

Todd: Jared, you mentioned the closing on the term sheet, fintech obviously has been, if not, the hottest, one of the hottest markets, especially in the private VC funding space, how was fundraising for you guys and was there anything interesting or new that you learned through the process that maybe you can tell some other founders that might listen-in,

Jared: Obviously, fintech is, you know, a really hard space like a lot of tech I guess maybe determines adaptation, but you talk about adtech, education tech, edtech, you draw a couple of letters in front of tech, I guess it becomes hot, I'm not so sure. (Todd laughs) As far as the fundraising process was concerned, you're going to talk to a lot of people no matter what your business is or if you haven't, you should, it's a matchmaking process.

We have to remember that there are more than just one option out there, there always are and so make sure that whoever you're aligning with, they really believe in the vision. We can ask questions about, you know, where do you see the business in three to five years, what gets you really excited, what technology, you talk about Web 3, you talk about a lot of different things that what technology like really gets you charged up. The one piece of advice, and Jerry's probably got a lot more, just make sure that you recognize that it certainly is a matchmaking process.

Jerry: Normally, for like the co-founder entrepreneur side of the story is like people feel hey, it's really just typical to find like the investor, but I think the way we actually, after going through different funding cycles, the way we raise it, as Jared said, is eventually kind of a matchmaking process. You really need to identify the one that shares the same vision and beliefs, what does he believe in like this will be…once they eventually will work together, make the investment and help you build great things.

So, don't be afraid, like ask the investor what's the piece of technology they are interested the most, how (garbled) and after this kind of interview with investor, we think it's actually mutual that you will eventually identify the one that we want to work with and those are normally the ones that can help you to bring you to the next level so we think that's kind of be critical and we kind of didn't know when we started and get more and more into the "startup process" towards our team. That's like part of the lesson we learned.

Todd: Do you think founders occasionally get caught up in raising money from a really good name that they have to give kind of that good name a little piece of control when in reality, it's your company, you should build the board, how you think that best will set out your vision, but, you know, they see this check, they see this big name and they say, you know, maybe if I give them what they want, they'll lead me somewhere else when in reality it's the opposite you see of this.

Jared: Below the line, these terms sheets. People look at the first page because that's like the sexy part of the term sheet, but you've got to go below the line like, Todd, you're absolutely right, there are provisions typically around some of the things that may be really important to the entrepreneur like the direction of the business or strategic partnerships and investment of the business.

There are things around liquidity preferences and participation that are really important, they can actually make or break on the liquidity than entrepreneurs' really hard work, like trust me, just a few years, let alone five or seven years, you don't want the liquidity event to go all to just one party. That valuation is key, right, like everyone likes to point so like a great valuation and that's your baby, right, you know, in our case, our team's business, but below the line you have to place a lot of weight on that, that's really like the details and that's where some people can trip off.

Jerry: Yeah. And a lot of times I think because they're like first time, don't have much experience, actually don't even know like what are the things they should look out, I think by making friends with other startup co-founders, by making friends in the VC world ask questions, hey, ask them to take a look, see if these things make sense, what's all the few things, you know, other people should be aware of and what are the potential future barriers if you accept this.

I think people, in general, are very willing to help and share information like do make friends, ask your friends a lot of questions and, you know, asking one or two, you'll pretty much get covered and then that's the time probably you should be able to think about hey, how much do I really need in the founding, how much of the ground I should holp up and how much I can push back. So, do it like strategically, but also like hold your ground

Todd: We have just a couple of minutes left so I'd like to end a little bit lighter. Do you have a favorite book and the last book that you read.

Jared: I love anything behavioral economics so Taylor's, you know, one of my favorites and that's a great rolling. I'm reading "Zero to One" right now, I think it's probably got to be in the entrepreneur handbook so I was a little late to the game, that's certainly a good one.

Jerry: For me, just like to read Grantham stuff. The latest one I read was the sci-fi story called (inaudible) and it's actually another reminder as in when you are good in tech, think about tech needs to be humane and how important that is so kind of it's always the (inaudible) to get some ideas from the books.

Todd: We were chatting a little bit before about this, Jared, but favorite sports and sport teams that you root for.

Jared: I was born in Detroit, I have the luxury of being a Detroit Lions fan (Todd laughs). I'm sure I'm the only one on this call, I'm probably also one of the few, you know, listeners or people in the world that does continue to cheer for them. Fingers crossed, right, there's always next year.

Todd: Right.

Jerry: Just watching the Winter Olympics and Nathan Chen who just won the figure skating, pretty impressive.

Todd: And then final question for you guys, biggest inspiration in life.

Jerry: I may have the cliche answer (laughs), I'll say Steve Jobs and was thinking about the way that brings us into technology and to humanity at the intersection of, again, tech and humanity. I think it's very exciting every day, I think our generation is like super luck, we're at this point we can pretty much do anything we want to do and realizing what kind of great stuff we can bring to society. I think that's the big inspiration for me and hopefully, will keep it there.

Jared: We talked about the Mt. Rushmore of entrepreneurs and maybe came to bait a little bit, but Jobs, Gates, Musk and Bezos, at least for our era, we'll see who the next generation of those is, but Steve Jobs is a great one. I think just entrepreneurship in general is really what gets me going, whether you're a big entrepreneur or someone who's just getting started, come and join our Founders Poker Club, come and hang at our little Lendica Entrepreneur Event. You know, we love entrepreneurship and we love to surround ourselves with great entrepreneurs.

Todd: What a perfect way to end it. Before we go, how can the audience find if they're interested in either talking to you or potentially partnering with you, you know, where can they reach you.

Jared: Yeah. So, our website's called lendica.com and I think we'll make sure that our emails and stuff makes its way to the audience, we'd be more than happy to chat. Todd, thanks so much for having us, this is a really great discussion and as we progress, we'd love to come back and kind of share the updates.

Todd: For sure. Jared, thank you, Jerry, thank you, continued success and like you said, hopefully, we'll get you back sometime in the future for an update. Thank you very much, guys.

Jared: Do well.

Jerry: Thanks, Todd.

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