

Dear Investor:

Data integrity is an essential component of inspiring trust and confidence in the Lending Club marketplace. The recent review by a sub-committee of the Board of Directors surfaced a gap in preventative controls related to data management alongside other internal controls issues. In this letter, we want to share the comprehensive, specific actions we've taken to strengthen our data management framework.

In March, Lending Club detected changes in the application dates of 361 loans sold to a single investor and addressed the issue within 48 hours. In order to test whether other data had been compromised, an outside expert firm was retained to do forensic data change analysis. The effort was conducted by a Big Four accounting firm, and covered approximately 673,000 whole loans sold to investors over the last 8 quarters in the super prime, prime, near prime and small business programs (see Data Testing Presentation for detail). In total, the analysis looked at over 10 million test conditions across the loans and fields considered.

**Excluding the previously identified 361 loans, 99.99%<sup>1</sup> of the remaining loans display either no changes or changes explained by the normal course of business.** The normal course of business includes activities like transfers of loan ownership between investors (e.g., secondary market sales or purchases), quality assurance processes, and certain user interactions (e.g., inadvertent double-clicks), among others.

Recent efforts supplement the work that Lending Club has done over time to audit and manage its data. A key component of our ongoing work is our 2015 SOC 1 Type 2 report, which includes the testing of over 55 control activities and contains a clean audit opinion.

Lending Club is also making the following enhancements:

- Enhancing the testing of data changes prior to deployment based on the risk of the change
- Reviewing change requests for key data attributes, prior to implementation, by the Internal Audit Team
- Validating that change requests for key data attributes have been properly executed
- Expanding the number of data fields that are logged for changes
- Monitoring logs for key changes
- Refreshing training/communication on data change management processes
- Enhancing the end-to-end testing framework
- Completing a consulting engagement on data change management with a Big Four accounting firm; implementing appropriate best practices
- Retraining employees on code of conduct and ethics and the whistleblower hotline
- Reinforcing a high compliance culture as explicit objectives in the employee performance review process

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<sup>1</sup> The analysis is nearly complete. Approximately 0.01% of the loans are under review as of 5/16/16.

In the interest of transparency, we've provided important additional information in the attached packet:

1. Data Testing Presentation
2. Remediation Plan for Data Management

### **Looking Ahead**

Our business thrives on data. We use it in every aspect of our operations, from making credit decisions to hiring employees. Data integrity has been – and will always be – critical to Lending Club.

But just as important, our business depends on trust. The problems identified this quarter run counter to our values and will never be tolerated. We're working hard to make things right and prove to you that we continue to deserve your trust.

We look forward to continuing to work together and having you as an investor for years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Sanborn". The signature is fluid and cursive, with the first name being more prominent.

Scott Sanborn  
Lending Club President & Acting CEO



Data Testing Presentation

May 2016

# Timeline

- In March, Lending Club detected changes in the application dates of 361 loans sold to a single investor and addressed the issue within 48 hours.
- A sub-committee of Lending Club's audit committee hired outside counsel to assist with an investigation of the matter. Additionally, a Big Four accounting firm was retained to perform forensic data change analysis.
- The forensic work covered approximately 673,000 whole loans sold to investors over the last 8 quarters. In total, the analysis looked at over 10,000,000 data elements across the loans and fields considered.
- The team consisted of 17 partners and employees.

# Overview

- The forensic work considered change logs and database tables for 20 selected fields during Q1 2016 as these data fields were identified as key criteria for investor purchases.
- The firm further considered change logs and database tables for 14 selected fields for a longer period (Q2 2014 – Q4 2015) given the data errors identified in Q1 2016.
- Loan types included super prime, prime, near prime and small business.

# Observations

- 361 (\$3.0MM) whole loans sold to a single institutional investor had the application date changed. The altered loans were the subject of Lending Club's disclosure on May 9, 2016.
- Excluding the previously identified 361 loans, **99.99%\*** of the remaining loans display either no changes or changes explained by the normal course of business.
- The normal course of business includes activities like transfers of loan ownership between investors (e.g., secondary market sales or purchases), quality assurance processes, and certain user interactions (e.g., inadvertent double-clicks), among others.

\* The analysis is nearly complete. Approximately 0.01% of the loans are under review as of 5/16/16.

# Data Tested

Q1 2016 Data Categories*	Q2 2014 – Q4 2015 Data Categories*
Loan Application Date	Loan Application Date
Loan Application Purpose	Loan Application Purpose
Borrower Address State	Borrower Address State
Loan Grade	Loan Grade
Loan Term	Loan Term
Loan Amount	Loan Amount
Agreement Document Create Date	Agreement Document Create Date
TIL Document Create Date	TIL Document Create Date
DTI Score	DTI Score
FICO	Expiration Date
Delinquency Amount	
Delinquency Account	
Credit Public Records	
Open Credit	
Credit DTI	

\* Some data categories include multiple data fields.

# Disclosure

Outside legal counsel (“Counsel”) to a subcommittee of the audit committee of the Board of Directors (“the Subcommittee”) of LendingClub, Corp. (the “Company”) retained a Big Four accounting firm (the “Firm”) to provide advisory services to Counsel. The work performed by us as part of this engagement and this presentation are subject to terms and conditions of our engagement letter between Counsel, the Subcommittee, and the Firm.

Neither the Firm nor any partner or employee, servant, personnel or agent of the Firm undertakes responsibility in any manner whatsoever to any party, other than Counsel, in respect of any advice, opinion or information set out in this document, including any error or omission therein, howsoever caused. This presentation is based exclusively on information obtained and interviews conducted.

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## Lending Club’s Data Management Remediation Plan

In the immediate term, Lending Club is making the following enhancements:

Area of Focus	Planned Activities
Ability to change data fields inappropriately	<ul style="list-style-type: none"> <li>• Enhancing the testing of data changes prior to deployment based on the risk of the change</li> <li>• Reviewing change requests for key data attributes, prior to implementation, by the Internal Audit Team</li> <li>• Validating that change requests for key data attributes have been properly executed</li> <li>• Expanding the number of data fields that are logged for changes</li> <li>• Monitoring logs for key changes</li> <li>• Refreshing training/communication on data change management processes</li> <li>• Enhancing the end-to-end testing framework</li> <li>• Completing a consulting engagement on data change management with a Big Four accounting firm; implementing appropriate best practices</li> </ul>
Code of conduct and ethics of personnel involved in change process	<ul style="list-style-type: none"> <li>• Retraining employees on code of conduct and ethics and the whistleblower hotline</li> <li>• Reinforcing a high compliance culture as explicit objectives in the employee performance review process</li> </ul>