



INVESTOR: A.L. Mailman Foundation; Jessie Ball duPont Fund; Souls Grown Deep Foundation
AMOUNT: A.L. Mailman Foundation \$100,000 committed in 2021; Jessie Ball duPont Fund allocated \$250,000 to establish a place-based microfinance fund in 2022, which intends to invest in a LPF; Souls Grown Deep Foundation \$250,000 committed in 2021
INVESTMENT: Loan Participation Fund
CREATIVE ECONOMY SECTOR: Ethical Fashion, Sustainable Food, Social Impact Media, Other Creative Industries
ASSET CLASS: Private Debt

Honeycomb Credit is a crowdfunding platform making loan capital available to small businesses that are deeply integrated in their community. Since 2017, Honeycomb has channeled \$10 million through 150+ loan campaigns. Honeycomb serves businesses in 23 states and Washington, D.C. and plans to expand nationally. Average loan size was \$70,000 in 2020. 80% of the businesses that have raised capital through the Honeycomb Credit platform are creative economy businesses as defined by Upstart Co-Lab.

Honeycomb's Loan Participation Fund (LPF) is a bespoke capital allocation vehicle that allows institutional investors to participate in multiple crowdfunding campaigns that meet the investor's predetermined criteria such as location, industry and entrepreneur demographics. Based on Honeycomb's modelling, a \$250,000 LPF can expect to make 25 investments at an average investment size of \$10,000. The model predicts an IRR of 9.4%, an average loan term of 48 months, a 2% default rate, and a 75% recuperation rate if default occurs.

Impact Strategy

Honeycomb Credit provides access to capital for local businesses. From 2007 to 2018, there was a 35% reduction in commercial banks in the U.S. and a corresponding 29% decrease in the number of small business loans. Honeycomb Credit was created to fill the access to capital gap due to the loss of community banks, fill a unique role in the small business lending universe, and provide an affordable borrowing option for businesses that could otherwise fall prey to predatory online lenders. Approximately 50% of the businesses have previously been unable to access credit or have been referred to Honeycomb by other lenders who passed on lending to the company. After raising growth capital on the Honeycomb platform, businesses experienced an average 60% increase in revenue 1 year after completing a campaign, 80%

ACCESS TO CAPITAL FOR BIPOC & WOMEN ENTREPRENEURS	✓
QUALITY JOBS	✓
VIBRANT COMMUNITIES	✓
SUSTAINABLE CREATIVE LIVES	✓
AN INCLUSIVE CREATIVE ECONOMY	✓
ENVIRONMENTAL SUSTAINABILITY	—

✓ PRIMARY IMPACT ✓ SECONDARY IMPACT — NOT AN EXPLICIT IMPACT PRIORITY

increase in press mentions, and a 40% increase in Yelp and Google reviews. In addition, Honeycomb has helped over 8,000 retail investors make their first small business investments.

Impact Metrics

January 2018 - December 2021

Businesses funded	150+
BIPOC-owned businesses	25%
Women-owned businesses	47%
Businesses in Low-Moderate Income communities	48%
Campaign success rate	83%
Average revenue increase 1 year after campaign for businesses raising capital on Honeycomb Credit	60%

Upstart Co-Lab's Role

An impact investing colleague at a family office introduced Upstart Co-Lab to Honeycomb Credit in 2020 after recognizing the significant number of creative economy businesses on the platform. Upstart worked with Honeycomb to develop the company's idea to bring foundation capital to invest alongside the crowd, helping Honeycomb develop a pro forma financial model, an investor pitch, and draft legal agreements. Using its strategic partner network, Upstart identified a qualified, values-aligned financial intermediary able to support the Loan Participation Fund in all 50 states.