



HONEYCOMB CREDIT

Loan Participation Fund

INVESTOR: A.L. Mailman Foundation; Builders Initiative, Jessie Ball duPont Fund; Souls Grown Deep Foundation

AMOUNT: A.L. Mailman Foundation committed \$100,000 in 2021; Builders Initiative committed \$250,000 in 2022; Jessie Ball duPont Fund committed \$250,000 in 2022; Souls Grown Deep Foundation committed \$250,000 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 over \$16 million through 260+ loan campaigns. Honeycomb serves businesses in 24 states and Washington, D.C. and plans to expand nationally. Average loan size was \$48,000 in 2022. 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 modeling, 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% increase in press mentions, and a 40%

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 Yelp and Google reviews. In addition, Honeycomb has helped over 12,000 retail investors make their first small business investments.

Impact Metrics

January 2018 - December 2022

Businesses funded	200+
BIPOC-owned businesses	31%
Women-owned businesses	53%
Increase in women-owned businesses funded in 2022	28%
Increase in BIPOC-owned businesses funded in 2022	104%
Businesses in Low-Moderate Income communities	43%

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 their idea to bring foundation capital to invest alongside the crowd: developing a pro forma financial model, an investor pitch, and draft legal agreements to manage the relationship between the foundation, a financial intermediary to deploy the Loan Participation Fund, and Honeycomb. Using its strategic partner network, Upstart identified a qualified, values-aligned financial intermediary able to support the Loan Participation Fund in all 50 states. Honeycomb presented to a select group of members in April 2021. The LPFs that Upstart helped launch are focused on women- and BIPOC-owned businesses, which has led to a measurable increase in the number of women- and BIPOC-owned businesses funded through Honeycomb campaigns.