



## Starfish Commentary (with Update)

The Composite Risk Rating takes into account the Borrower risk rating along with the duration of the loan and strength of collateral.

Starfish - This loan rating denotes a nonstandard credit quality that is not quantifiable by traditional credit models. The significance of this rating is that each loan is unique and requires careful review of underlying investment risk by the investor.

A Starfish rating generally means the borrower does not possess the requirements for the Gold, Silver or Bronze ratings, but has mitigating factors worthy of consideration. These factors may include the loan's significant impact to the nonprofit or social cause, the financial strength being dependent on program outcome (PRI), and/or the uncertainty of timing and size of expected cash inflow.

**November 2022 Update:** As U.S. interest rates surge, 'fair market rates' on LENDonate's loans (Ceiling Rates) have also risen. For example, a Bronze risk rating would have received a Ceiling Rate in the range of 7.25% - 9.25% a year ago. Today, that range is 11% - 13%. Having anticipated interest rate cycles as such, LENDonate has long established our internal policy to not lend at a rate greater than 10%, as our commitment to do good, not harm. This means that we will not be utilizing the Bronze rating at this time.

Rest assured we are not abandoning creditworthy nonprofits. Instead, we are asking our investors to join us and consider these Starfish rated loans, knowing their Ceiling Rates are capped at 10%.

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[Midtown Family Services](#) ("Midtown") has been approved for a \$500,000 bridge loan (12-month, interest-only) at a ceiling rate of 10%. Some factors to consider are:

- ↑ This loan meets the standards of a Bronze<sup>1</sup> rating. See "November 2022 Update" above for the reason why this loan receives the Starfish rating instead.
- ↑ Significant Impact: Since 2014, Midtown has been delivering life-changing assistance to Silicon Valley's most vulnerable residents.

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<sup>1</sup> **Bronze Risk Rating:** This loan rating denotes acceptable credit quality. A Bronze rating generally means the borrower either has acceptable but less dependable cash flow and liquidity to support the size of the loan, or has documented expected revenue, such as service contracts or grant receivables. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established. The loan may also be partially secured by pledged assets.



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- ↑ Each year, Midtown assists 3,600+ individuals and families by providing a comprehensive range of support services designed specifically for those facing housing insecurity due to a short or long term crisis.
  - ↑ Homeward Bound is a 1-year Re-Entry Services Program that provides guidance and support for formerly incarcerated individuals. From safe, stable housing to finding employment and reconnecting with family, re-entry clients are given a chance at a new start in life. Each year, about 70 individuals coming out of the state prison system are assisted by Midtown.
  - ↓ Government funding delays are out of Borrower's control.
  - ↓ Government funds are paid in arrears with monthly invoicing.

## **About LENDonate**

*LENDonate's mission is to create a new financial ecosystem that allows capital to flow more freely in the social sector by developing an expressive marketplace that connects affordable capital with impactful projects. LENDonate raises capital by offering and selling Payment-Dependent Investment Notes to accredited investors in an exempt offering in reliance on Rule 506(c) of Reg D under the 1933 Securities Act. LENDonate lends the proceeds to borrowers, with payment of principal and interest to investors dependent on the borrower's payment of principal and interest to LENDonate. LENDonate holds California Finance Lender license no. 60DBO-75670. This is not an offering of securities, and the borrower described here is not making any securities offering. Offers are made by LENDonate via an Offering Memorandum that can be viewed at [LENDonate.com](https://LENDonate.com), as that Offering Memorandum is supplemented for the project described here.*