

Orchard Indexes
Orchard Platform

Orchard Platform Indexes
Measuring Direct On-Line Lending Performance
Methodology and Indexes

Orchard US Consumer Marketplace Lending Index

November 2, 2014

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Disclaimer

Introduction and Highlights

The Orchard US Consumer Marketplace Lending Index (the “Index”) is designed to measure the performance of direct online lending to US consumers. The Index tracks the performance of the aggregate amount of loans to consumers originated and funded on eligible US-based online lending platforms. To be an “Eligible Platform,” as further described below, a loan originator must have originated more than \$250 million in aggregate loans, been an operating business for more than 3 years, not be subject to material legal, regulatory or accounting issues at the time of inclusion, and such other criteria as established by the Index Committee. The inception date of the Index is January 1, 2014 UTC and the base currency of the Index is USD and the value at inception date was \$1,000.

The Index is intended to be rules-based and transparent, although the Index Committee reserves the right to exercise discretion when necessary. As an aid to transparency, this document sets out the rules by which the Index is governed, the calculation and management procedures and the various formulae used to calculate returns and other relevant statistics.

The Index and all of its operations are reviewed on a quarterly basis to help ensure the integrity of the data and calculations, including paydowns, charge-offs, and the addition or exclusion of Eligible Platforms.

Index Returns and other statistics are calculated daily, as described in Appendix II.

Eligibility Criteria

The index universe is defined as all US Consumer Loans, included in data provided to Orchard Analytics, originated and funded by eligible direct online lending platforms (each, an “Eligible Platform”).

Eligibility Factors:

All loans originated and funded by US-based direct on line lending platforms are eligible for inclusion in the Index. However, only loans originated by platforms that meet the following criteria will be considered as coming from an Eligible Platform. An Eligible Platform must:

- be known or believed to have originated and funded over \$250 million of US consumer loans
- not be the subject of any regulatory or legal action or have accounting problems at the time of the inclusion that the Index Committee deems serious enough to warrant exclusion from the Index. May also include other subjective criteria as may be established from time to time by the Index Committee
- have at least 20,000 active consumer loans outstanding
- make available loan data in a consistent, well-structured, and computationally-accessible format and be updated on a daily basis

- disclose designated necessary terms of the loan, including loan amount, term, amortization schedule, amounts charged off, recoveries, interest rates, ratings or other descriptive features as reviewed and updated from time to time by the Index Committee.

Domicile

Only loans issued by US based platforms will be included in the Index

Par Outstanding

The Index is designed to include all eligible loans reported in data. There is no minimum or maximum loan size included or not included.

Timing of Changes

Additions: Index additions will be made on a daily basis as new loans are originated and funded by Eligible Platforms and their data made available in an accessible data feed. Eligible platforms for consideration as additions will be made on a quarterly basis by the Index Committee. Beginning November 2, 2014, new loans will be added to the index 6 months after their origination date.

Deletions: Index deletions are made when an underlying loan is either paid off at maturity, wholly or partially pre-paid, or charged-off in full.

Recoveries: Recoveries are not generally viewed as a material part of the investor experience on Eligible Platforms. If that practice changes in the future then Recoveries of Charged-Off Loans could be included in the Index Return calculations. However, it is not anticipated that Recoveries will be included in the near future.

INDEX CONSTRUCTION

Approaches

The index is designed to capture the performance of the US Consumer Direct On-Line Lending Market.

Index Calculation

Based on available information, the index uses the par value of each loan, unless such loan is sold or transferred, and there is a publically-accessible and widely published market reference price for such loan. If, in the determination of the Index Committee, there are enough market prices for a given type of loan, then such pricing could be applied to all similar loans included in the Index. Each loan's total return is calculated by aggregating the interest return, reflecting the the return due to interest paid, and price return, reflecting the gains or losses due to changes in any market prices, principal prepayments and/or charge-offs. The return of each loan and security in the Index is weighted by its principal value outstanding. The overall Index Return is the composite of each component loan's return multiplied by the principal value outstanding. For further details regarding Index Calculations, please refer to Appendix II.

Index Maintenance

The Index is maintained in accordance with the following rules:

- The Index is fully reviewed by the Index Committee on a quarterly basis
- Par amounts of index loans are adjusted on a daily basis to reflect any reported changes that have occurred since the prior day, due to partial pre-payments, full pay-downs, charge-offs or market prices due to the sale of a loan.

Rebalancing

The index is normally updated and rebalanced on a daily basis. The Index Committee, nevertheless, reserves the right to make adjustments to the Index at any time that it believes appropriate.

Frequency

The Index is priced daily and reviewed on a quarterly basis.

Currency of Calculation

The Index is calculated in U.S. dollars (\$US).

Base Date and History

The Index history availability and base date value is shown below:

<u>Name</u>	<u>Inception Date</u>	<u>Base Value</u>
Orchard US Consumer Marketplace Lending Index	1/1/2014	\$1000

Cash Flows

Interest payments are considered paid on a daily basis from the date each loan enters the index, on a relative weight basis. Pre-payments, pay-downs, charge offs and other forms of cash flow (other than scheduled interest payments) are reconciled at the end of each day to be considered part of that day's total return.

Interest Rate

Each loan uses its own interest rate in the calculation of interest. Interest rates are generally fixed at the time of loan origination.

Index Interest Rate

The index interest rate is the sum of all loans interest rates multiplied by their relevant weights in the index.

Index Governance

Index Committee

The Index Committee maintains the Index and is comprised of employees of Orchard Platform (Orchard App, Inc). The Index Committee is chaired by the Chief Analytics Officer of Orchard Analytics LLC, a wholly owned subsidiary of Orchard Platform. The Index Committee is solely responsible for all matters related to methodology, maintenance, constituent selection, and index procedures. The Index Committee makes decisions based on all available information and discussions are kept confidential. Any changes to the Index agreed upon by the Index Committee will be published on the index website as soon as possible. The Index Committee seeks to provide users of the Index as much transparency as practicable.

Holiday Schedule

The Index is calculated on a daily basis so long as data and information is provided to Orchard on a daily basis by the Eligible Platforms. There is no holiday schedule. If the information flow in the future changes, then the timing of index calculations may change.

Index Dissemination

Index levels are available through the Orchard Indexes website at www.orchardindexes.com. Over time, other investment and financial websites, as well as various print and electronic media, may choose to publish the index.

FTP

Daily levels and index data are available via FTP on subscription.

Appendix I

Defined Terms

Business Day. Monday through Friday of any week during the year except for holidays as noted by SIFMA.

Close. The end of a calendar or business day for the purpose of calculating index values and other statistics, currently 11:59PM Eastern Time.

Eligible Loan. A loan that meets all of the eligibility criteria and is originated from an Eligible Platform as of the close of the business day preceding the announcement date.

Index. The Orchard US Consumer Marketplace Lending Index.

Par Amount. The total par or “face value” amount outstanding of an index loan or an eligible loan as determined by the Index Committee, net of charge-offs or principal repayments.

Rebalancing Date. Daily.

Appendix II

Calculation of Index Loan Market Values and Relative Weights

The market value for index loans is calculated as of the close of each calendar day.

The market value of index loans is calculated as follows:

$$\text{New Index Value} = \text{Previous Index Value} * \left(1 + \frac{\Delta \text{ Interest Payments} - \Delta \text{ Service Fees} - \Delta \text{ Net Charged-Off Principal}}{\text{Outstanding Principal}} \right)$$

Where:

- Delta Interest Payments = the difference in cumulative interest payments to-date between the calendar day and previous business day
- Delta Service Fees = the difference in cumulative service fees to-date between the calendar day and previous business day
- Delta Net Charged-Off Principal = the difference in cumulative net charged-off principal between the calendar day and previous business day
- Outstanding Principal = The sum of the outstanding principal balance on all eligible loans as of the calendar day

Orchard Analytics Contact Information

Index Committee

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