**COIN Bulletin Application & Guidelines**

****

 **California Department of Insurance**

**California Organized Investment Network**

**300 Capitol Mall, 16th Floor Sacramento, CA 95814**

**Phone: (916) 492-3529**

**Fax (916) 323-1944 FAX**

**coin@insurance.ca.gov**

**Table of Contents**

1. **INTRODUCTION**

[MISSION STATEMENT 3](#_Toc371580009)

 [BACKGROUND OF COIN AND HIGH IMPACT INVESTMENT BULLETINS 3](#_Toc371580010)

 [BENEFITS OF HIGH IMPACT INVESTMENT BULLETINS 4](#_Toc371580011)

 [COIN’S MAJOR DUTIES 4](#_Toc371580012)

**II. APPLICATION PROCEDURES**

INVESTMENT POLICY STATEMENT 6

 APPROVED INVESTMENTS 6 [TYPES AND AMOUNTS OF INVESTMENTS 6](#_Toc371580015)

 [THREE GUIDING PRINCIPLES 7](#_Toc371580015)

**IV. BULLETIN APPLICATION QUESTIONNAIRE**

**III. APPENDICES**

 [APPENDIX I 18](#_Toc371580016)

 [APPENDIX II 21](#_Toc371580017)

 [APPENDIX III 24](#_Toc371580018) [APPENDIX IV 24](#_Toc371580018)

1. **INTRODUCTION**

# MISSION STATEMENT

To guide insurers on making safe and sound investments that yield environmental benefits throughout California and/or social benefits within the State's underserved communities.

# BACKGROUND OF COIN AND HIGH IMPACT INVESTMENT BULLETINS

COIN was established in 1996 at the request of the insurance industry as an alternative to state legislation that would have required insurance companies to invest in underserved communities, similar to the federal Community Reinvestment Act (CRA) that applies to the banking industry. This voluntary program facilitates insurance industry investments that provide solid returns to investors that yield environmental benefits throughout California and/or social benefits to the State's underserved communities. COIN is a collaborative effort between the California Department of Insurance, the insurance industry, community affordable housing and economic development organizations, and community advocates.

According to 926.2(b), through data call surveys sent to insurers, the commissioner shall, provide information on the department’s Internet Web site on the aggregate insurer community development investments and community development infrastructure investments. Insurers that make investments that are innovative, responsive to community needs, not routinely provided by insurers, qualify as green investments, or have a high degree of positive impact on the economic welfare of low-to-moderate income individuals, families, or communities in urban or rural California shall be identified.

COIN Bulletins are a means of informing insurance companies about some of the investment opportunities which would meet the community development mission of the program.  The bulletins are a vehicle by which community development organizations actively seeking insurance company investments are able to communicate those needs to the insurance industry.

#

# BENEFITS OF HIGH IMPACT INVESTMENT BULLETINS

Becoming a High Impact Investment offers significant benefits that include but are not limited to the following:

* **Exposure**

High Impact Investment Bulletins are shared with over 1,000 insurance companies that hold in excess of $4 trillion under management and are seeking investment opportunities in underserved and rural communities in California. COIN will support applicants in marketing their product by distributing bulletins to COIN’s network of insurers, by circulating handouts at insurance trade association meetings, and by hosting High Impact Investment Bulletins online on the COIN website.

* **Validation**

Approval of an investment as a High Impact investment recognizes and validates an investment’s potential for impact. While the bulletin doesn’t constitute an official recommendation, it serves as a form of assurance to insurers and the greater public that the investment is sound and carries potential benefits to California’s underserved communities.

* **Accountability**

The High Impact Investment Bulletin demonstrates to investors and the public that the applicant is committed to being transparent and accountable for the High impact Investment’s social and/or environmental performance. Periodic investment tracking and reporting to COIN ensures the investment’s social and/or environmental benefits in California are fully disclosed and documented.

# COIN’S MAJOR DUTIES

Led by the Managing Director, COIN is an investment unit within the California Department of Insurance (CDI) that sources, structures, analyzes and qualifies prospective and previous insurer investments. Below are the five duties of the COIN program:

* **Bulletins**: High-Impact Investments that are innovative, are responsive to community needs, are not routinely provided by insurers, qualify as green investments, or have a high degree of positive impact on the economic welfare of LMI individuals, families, or communities in urban or rural California.
* **Guided Investments**: Advise insurers on sourcing, structuring, evaluating and funding investments in accordance with their investment policies and regulatory guidelines, market conditions, and COIN’s mission of demonstrated social or environmental benefits to California.
* **Data Call**: Each insurer provides information on its investments to the COIN program, which researches each reported investment to verify its social or environmental impact.
* **COIN CDFI Certification**: A COIN certified Community Development Financial Institution (CDFI) must be a privately held financial institution located in California, have community development as its primary mission, and must lend or invest in urban, rural, or reservation-based communities within California.
* **CDFI Tax Credit Program**: Each year, COIN allocates a state tax credit of 20% on qualified investments of at least $50,000 and of 60 months in duration into a COIN-certified CDFI. Qualified investments are equity, equity-like debt instruments and zero percent interest deposits. Each $1 of tax credit yields $5 of private investment, with the total tax credit allocation of $10 million generating up to $50 million of private investment into COIN-Certified CDFIs.

# APPLICATION PROCEDURES

# INVESTMENT POLICY STATEMENT

This document sets forth the investment policy of COIN. Programs and projects must satisfy the guidelines of the investment policy to receive assistance from COIN.

This investment policy was recommended by the COIN Advisory Board to the Insurance Commissioner. This board is comprised of voluntary representatives of insurance investment and legal executives, California Legislators, the Insurance Commissioner, consumer advocate groups, and practitioners in the fields of affordable housing and local economic development throughout the state of California.

COIN may exercise discretion in determining environmental benefit and benefit to low-to-moderate income and rural communities other than in areas of green investment and community development investment. It is the intent of COIN’s investment policy to encourage innovation in responding to unmet capital needs of low-to-moderate income and rural communities, their residents, businesses and non-profit community service organizations, as well as investments that yield environmental benefits throughout California.

# APPLICATION PROCESS

COIN maintains an open window application process with applications to be continuously received via email or directly mailed to the department.

COIN will review applications to determine compliance with the investment policy. All applicants must satisfy the investment policy to be deemed eligible for COIN bulletin investments. In the event an applicant does not meet the investment policy, COIN will communicate the reasons, offer technical assistance, and if desired by the applicant, assist to revise the proposal in a manner consistent with the investment policy, to the extent possible.

COIN will notify the applicant of the results of the investment policy review upon completion of the eligibility review of the application.

**APPROVED INVESTMENTS**

Proposals which are deemed eligible for a COIN facilitated investment will be made available through the Department’s bulletin process and available to all insurance companies doing business in California. COIN will be responsible for tracking COIN-facilitated investments.

COIN approval of the High Impact Investment Bulletins are valid for no more than one calendar year (after capital is raised) and COIN will request updated information annually. Once the purpose or the effect of the investment differs from originally portrayed, COIN reserves the right to withdraw the designation of COIN High Impact Investment Bulletins.

**TYPES AND AMOUNTS OF INVESTMENTS**

COIN intends to facilitate the offering of a comprehensive array of investment products responsive to capital needs of low-to-moderate income and rural communities, as well as green investments that yield environmental benefits. Accordingly, the COIN investment policy envisions no limit on the type or nature of capital investment which insurance companies may provide to eligible proposers. However, broadly categorized, COIN-facilitated investment products may be versions of debt, equity, or credit enhancement. (See Appendix II for examples of qualified asset classes from NAIC Schedules.)

COIN will not solicit proposals for grants or charitable giving. COIN encourages proposers throughout California to be bold, ambitious and innovative in developing proposals for insurance industry funding which complies with COIN’s investment policy. COIN’s investment policy does not envision a limit on the dollar amount of COIN investment proposals and commitments.

**THREE GUIDING INVESTMENT PRINCIPLES**

Investments applying for the bulletin must meet the following three conditions:

1. **Investment must have no less than 50% of its total capital focused in “California Companies”**
2. **Provide either proven social impact to LMI people or communities and/or environmental benefit in California**
3. **Provide safe, sound, and solvent investments offering an acceptable financial return**
4. **Investment must have no less than 50% of its total capital focused in “California Companies”**

To qualify for the COIN High Impact Investment Bulletin, an investment must have at least 50% of its total capital directed in companies considered to be a “California Project.” A “California Project” means the investments meets at least one of the following criteria:

1. The underlying collaterals for the commercial and residential mortgage investments in Schedule A and Schedule B:

a) Located in Low-to-Moderate Income Area in California

b) Purposed for Low-to-Moderate Income People in California

2. The invested companies in the private funds in Schedule BA and Schedule D would have:

a) Company headquarters in California

b) More employees reside in California than in any other state

c) More facility locations in California than in any other state

1. **Provide either proven social impact to LMI people or communities and/or environmental benefit in California**

To qualify for the COIN High Impact Investment Bulletin, the investment should have either certain social impact or environment benefit in California. Investments should have all or a portion of its funds directed at Community Development and/or Green Investments. For definitions and examples of Community Development and Green Investments, please see Appendix I. See also Appendix III for additional details on these types of investments.

1. **Provide safe, sound, and solvent investments offering an acceptable financial return**

To qualify for a COIN High Impact Investment Bulletin, the proposed organization or individual must provide current or past experience and/or performance showing acceptable financial returns to investors.

The return parameter and metrics varies by asset classes. COIN will utilize its own benchmark and criteria to evaluate the performance. We encourage the applicant to provide the performance data and suitable benchmarks and explain how it delivers acceptable return comparing to peers.

**See Appendix IV for a guideline about each asset class’s performance assessment and benchmarks.**

# BULLETIN APPLICATION QUESTIONNAIRE

**PART I**

The first part of the application questionnaire is required for all applicants.

1. Provide the full name and contact information of the proposing organization.
2. Provide the full name of the proposed investment and related website hyperlink.
3. Provide a historical overview of your firm.
4. Overview structure of the firm, including parent, partner, subsidiaries of your organization.
5. Identify the investment committee members and provide professional background details, including title, years at firm, experience, and duties. How are votes weighed to arrive at a decision?
6. Identify other investment team members and provide professional background details, including title, years at firm, experience, and duties.
7. Provide a detailed description of your investment strategy.
8. Describe the tangible social impacts resulting from the investment (i.e. jobs created).
9. Describe the environmental benefit resulting for the investment.
10. What percentage of the capital raised in your current and prior investments directly created social and/or environmental impact (i.e. jobs created, affordable housing units, renewable energy creation, etc.)?
11. List the risks involved in the investment process.
12. Please summarize the firm's risk management philosophy or types of risk measures the firm uses in its risk management function.
13. Provide the performance of each of your previous (similar) investments. Also provide us your forecasted performance of the proposed investment. On what basis is it determined? (See Appendix IV for the example performance parameters)
14. Provide the appropriate performance benchmark for your proposed investment using the most up-to-date data. Provide reasons why the benchmark is reasonable, specifically to your proposed investment, if it is different from the example in Appendix IV. If the performance is not outstanding, please explain the reason to assist COIN. (See Appendix IV for the example of performance parameters.)
15. Please define the type of your investment according NAIC investment schedules as shown in the Appendix II (please define it in every tier).

**PART II**

For Part II of the questionnaire, only answer questions that apply to the asset class (schedule) of your proposed investment strategy.

**Questions 15 – 20**: Schedule A Investment Questions – Real Estate Investments

**Questions 21 – 31**: Schedule B Investment Questions – Commercial and Residential Mortgage Investments

**Questions 32 – 42**: Schedule BA Investment Questions

**Questions 43 – 46**: Schedule D Investment Questions

**Schedule A: Investment Questions**

1. Provide the following information for real estate investments in Schedule A using a concise description:

|  |  |
| --- | --- |
| **Schedule A – Real Estate** | **Brief Description** |
| Expected Vacancy rate |  |
| Life cycle |  |
| Gross-of-fee return (Gross IRR)Base management feeTotal expense ratioNet-of-fee return (Net IRR)NOI Cap Rates |  |

1. Provide the following information of the property. If there are multiple properties, submit an Excel file including the information for each property.
	1. Name of property
	2. Type of property

E.g. apartment complex, land, shopping center, warehouse, commercial, hotels, industrial, land development, mixed use, multi-housing, office, real estate companies, residential, retails, etc.

* 1. Address of property (street, city, state, and zip code)
	2. The State, County, and Tract Census Codes of the property

This can be found using the FFIEC Geocoding System website at [www.ffiec.gov/Geocode/default.aspx](http://www.ffiec.gov/Geocode/default.aspx). Enter the address of the property; click “Search” and the following page will identify the State, County, and Tract Codes for the requested address.

* 1. Date of the appraisal
	2. Book and market value
	3. Actual cost
	4. Date of last appraisal
1. Provide property manager and their strategies for renting, managing, or improving the property.
2. Please provide the real estate allocation strategy based on valuation, including strategy allocation and geographic allocation.
3. Describe the specific risks associated with real estate investments, e.g. concentration risk, structure risk, liquidity risk, leverage risk, country risk, development risk, hazardous waste, operating risk, interest risk, market risk, etc.
4. Please provide detailed investment history and tax returns.

**Schedule B Investment Questions**

1. Provide the following information using concise description. If not applicable, write N/A.

|  |  |
| --- | --- |
| **Schedule B – Commercial Mortgage and Residential Mortgage** | **Brief Description** |
| Loan numberLoan amountLoan Term |  |
| Loan structure |  |
| Interest rate Earned incomeAssociated expensesCombined Loan-to-Value RatioDebt-to-income ratio |  |

1. Provide the following information of the property. If there are multiple properties, submit an Excel file including the information for each property.
	1. Loan account number and loan type (residential or commercial)
	2. Date acquired
	3. Interest rate
	4. Loan value
	5. Loan terms(maturity)
	6. Date of appraisal
	7. Value of underlying property
	8. Address of property (street, city, state, and zip code)
	9. The State, County, and Tract Census Codes of the property

This can be found using the FFIEC Geocoding System website at [www.ffiec.gov/Geocode/default.aspx](http://www.ffiec.gov/Geocode/default.aspx). Enter the address of the property; click “Search” and the following page will identify the State, County, and Tract Codes for the requested address.

* 1. Net operating income of the property (only for commercial mortgage)
	2. Annualized debt service (annual payment, only for commercial mortgage)
	3. Debt service coverage ratio
1. Describe the type of mortgages. If it is a hybrid of residential and commercial mortgage, show the percentage in each sector.
2. Provide the geographic distribution of underlying properties among rural and urban areas.
3. Provide a description of specific risks associated to commercial mortgages and residential mortgages, e.g. risks of delinquency and foreclosure, risks of loss, etc.
4. In a three-year trend what is the total number and percent of loans going to underserved individuals and underserved communities?
5. Is there any residential capital for low-income, underserved and disadvantaged communities to access affordable housing and home preservation? If applicable, please describe it.
6. For each residential mortgage, please provide borrowers income and LMI designation.
7. Does your staff have the capacity to originate and underwrite loans?
8. Does your board member have the capacity to make loan action decisions?
9. Does your organization have the required and necessary state lender and broker licenses to conduct a residential lending line of business?

**Schedule BA Investment Questions**

1. Provide the business structure (Tier 1) and type of fund (Tier 2 and Tier 3) according to the NAIC investment schedules as shown in the Appendix II.
2. Provide the following information for fund investment in Schedule BA using concise descriptions.

|  |  |
| --- | --- |
| **Schedule BA -Private Equity Fund-Term** | **Brief Description** |
| Firm Name with legal structureFund NameOffering SizeVintage Year |  |
| Timing of the First ClosingsFinal close sizeFund Term |  |
| Lock-up period |  |
| LP Commitment |  |
| Minimum LP Commitments |  |
| General PartnerInvestment ManagerGP Capital Commitment |  |
| Management Fee |  |
| Monitoring fees |  |
| Transaction Fee Offset Performance fee (hedge fund) |  |
| GP Carried Interest  |  |
| Hurdle Rates (Preferred Return) |  |
| Waterfall |  |
| No-fault provisions  |  |
| Key Man Provisions |  |

1. For all companies (in both current and past funds) provide the following information. If there are multiple companies, submit an Excel file including the information for each company.
	1. Company name
	2. Address of company headquarters (street, city, state, and zip code)
	3. The State, County, and Tract Census Codes of the property

This can be found using the FFIEC Geocoding System website at [www.ffiec.gov/Geocode/default.aspx](http://www.ffiec.gov/Geocode/default.aspx). Enter the address of the property; click “Search” and the following page will identify the State, County, and Tract Codes for the requested address.

* 1. Industry type
	2. Description of products and/or services
	3. Type of security
	4. Month and year of initial investment
	5. Total investment amount
	6. Investment percentage as of whole investment
	7. Status of investment (realized and unrealized)
1. Provide a chart of your organization’s management structure. Also, provide details of the economic arrangement between the General Partner and the Management Company.
2. Does your organization have an Advisory Board? If yes, describe the function of the Advisory Board. Also, describe the composition of the advisory board including background and responsibilities of each member.
3. For the proposed fund, please provide a breakdown of investments (based on cost) by industry, sector and geography.
4. For hedge funds, provide analysis of the fund’s investment strategy including the investment type and leverage limit.
5. Briefly explain your strategy for adding value to portfolio companies. Please list specific techniques employed to improve the operations of acquired companies.
6. Please show the performance of each of your previous funds. If investments were not made in U.S. Dollars, please calculate the internal rates of return on a U.S. dollar basis.
7. For private funds, please show the Internal Rate of Return (“IRR”) calculations (clearly set forth the methodology for determining the IRR).
8. If the private fund is for real estate, please show the net asset value, funds from operations, and adjusted funds from operations (AFFO).

**Schedule D Investment Questions**

1. Please provide information regarding the nature of the investment. (See Appendix II for investment type. If it is municipal bond, select the type from table III in Appendix III.)
2. Please provide the following information regarding Schedule D investments if applicable.

|  |  |
| --- | --- |
| Name of Bond Issuer/ Stock Issuer |  |
| Description of Bond Issuer/ Stock Issuer regarding its mission and business |  |
| Brief analysis regarding the issuer if it is a company, regarding its financial situation and business. |  |
| Key featuresBond: Principal Amount, Maturity, Coupon rate, Yield (Current yield, yield to maturity), Market price, Indentures and Covenants, Optionality, Sinking fund provision Stocks: Number of shares, current stock price, dividend if there is. |  |
| Risk measures:Bond: Credit rating, risk analysis (Default risk, Inflation risk, market risk, legislative risk, liquidity risk, credit risk.)Stock: Market risk, Business risk, stock price volatility in the past. |  |

1. Who is the beneficiary of this investment, what is the purpose of the investment?
2. How often do you reevaluate the factors of your investment that face a

volatile market? What kind of factors do you value highly for future processing?

# APPENDIX I

In order to qualify for the COIN High Impact Investment Bulletin, it should either have certain social impact or environmental benefit in California. To assist you in determining whether your investment qualifies, definitions and examples of these investments are below:

**Community Development Investment** means an investment where all or a portion of the investment has as its primary purpose community development for, or that directly benefits California low-to-moderate income (LMI) individuals, families or communities. Community Development Investments include, but are not limited to, investments in California in the following areas:

1. Affordable housing, including multifamily rental and ownership housing, for LMI individuals or families.
2. Community facilities or community services providers (including providers of educational, health or social services) directly benefiting LMI individuals, families or communities.
3. Economic development that demonstrates benefits, including, but not limited to job creation, retention or improvement, or provision of needed capital, to LMI individuals, families or communities. This also includes urban or rural communities or businesses or nonprofit community service organizations that serve these communities.
4. Activities that revitalize or stabilize LMI communities.
5. Investments in or through COIN-certified CDFIs and investments made pursuant to the requirements of federal, state, or local community development investment programs or community development tax incentive programs, if these investments directly benefit LMI individuals, families or communities.
6. Community development infrastructure investments, which means California public debt (including all debt issued by the State of California or a California State or local government agency) where all or a portion of the debt has as its primary purpose community development for, or that directly benefits, LMI communities and is consistent with the definition of Community Development Investment.
7. Investments in commercial property located in LMI census tracts and having community development as its primary purpose or directly benefiting LMI individuals, families or communities.

**Green Investments** include, but are not limited to, renewable energy projects, economic development, and affordable housing focused on infill sites so as to reduce the degree of automobile dependency and promote the use and reuse of existing urbanized lands supplied with infrastructure for the purpose of accommodating new growth and jobs.

Green investments may also help communities grow through new capital investment in the maintenance and rehabilitation of existing infrastructure so that the reuse and reinvention of city centers and existing transportation corridors and community space, including projects offering energy efficiency improvements and renewable energy generation, including, but not limited to, solar and wind power, mixed-use development, affordable housing opportunities, multimodal transportation systems, and transit-oriented development, can advance economic development, jobs, and housing.

**Abbreviations:**

AMI Area median income

CDFI Community Development Financial Institution

COIN California Organized Investment Network in the California

 Department of Insurance

FFIEC Federal Financial Institutions Examination Council, an agency of the United States Government. Their Web site can be used to obtain the census tract information needed to determine whether certain investments qualify.

LMI Low-to-moderate income

LIHTC Low Income Housing Tax Credits

MSA Metropolitan Statistical Area

NAIC National Association of Insurance Commissioners

NCUA National Credit Union Administration

NCUSIF National Credit Union Share Insurance Fund

NMTC New Markets Tax Credits

# APPENDIX II

Examples and categories listed under each schedule:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Schedule Name** | **Definition** | **1st Tier** | **2nd Tier** | **3rd Tier** |
| Schedule A | Real estate that has its primary purpose of community development or that directly benefits LMI individuals, families or communities. | Real Estate | Residential real estate |  |
| Industrial real estate |
| Commercial real estate |
| Corporate real estate |
| Schedule B | Mortgage Loans. Most investments reported in this category are commercial mortgages on property located in LMI census tracts. However, residential mortgages where the housing provided would qualify as affordable housing, as defined, would also qualify. | Commercial Mortgage |  |  |
| Residential Mortgage |  |  |
| Schedule BA | Other Long-Term Invested Assets Owned. The California portions of all LIHTCs and NMTCs qualify. Other qualifying investments include Private Equity, Joint Ventures, limited partnerships and limited liability company investments in funds that provide capital for community development purposes benefiting California LMI people or communities.  |  Limited PartnershipsOrLimited Liability CompanyOrJoint Venture         | Private Equity Funds | Venture capital funds |
| Mezzanine financing  |
| Leveraged buyout (LBO) funds |
| Fund of funds |
| Real Estate Funds |
| Other liquid asset classes |
| Distressed debt funds |
| Hedge Funds |  |
| Schedule D | All Long-Term Bonds and Stocks Owned | Municipal Bonds  |  |   |
| Other Bonds, Notes and Debt Obligations |
| Certificates of Deposit |
| Preferred or Common Stock |
| Schedule E | Cash. Reportable investments from this schedule are usually certificates of deposits of one year or less in community development banks or credit unions. | Cash |  |  |

# APPENDIX III

1. **Affordable Housing Investments** are those that meet the income criteria for the individuals or families served and/or for the geographic location of the housing, as shown in the following table. The legal documents for the investment often provide the information needed to conclude the investment qualifies.
2. **Income categories for this Report**
* Low income – an individual income that is less than 50% of the AMI, or a median family income that is less than 50% of the AMI in the case of a census tract.
* Moderate income – an individual income that is at least 50% but less than 80% of the AMI, or a median family income that is at least 50% but less than 80% of the AMI in the case of a census tract.
* Area Median Income (AMI) means the median family income for the MSA or metropolitan division (for MSAs that are subdivided into divisions) for persons or census tracts located in a metropolitan area, or the statewide non-metropolitan median family income for persons or census tracts outside MSAs.

|  |
| --- |
| **Affordable Housing Table** |
| **Type of Housing**  | **Maximum Household Income as % of AMI** | **Location of Housing** |
| Rental (including purchasing Low-Income Housing Tax Credits).  | < 80% | Anywhere in California |
| Ownership | <120% | Census tracts with median family incomes < 80% of AMI or focused on infill sites. |
| Mixed Income Housing Developments (Affordable and Market Rate rental and/or ownership) providing neighborhood revitalization benefits. | Not applicable | Census tracts with median family incomes < 80% of AMI or poverty levels > 20% or focused on infill sites. |
| Mixed-Use Developments that include Affordable Housing (rental and/or ownership) and provide neighborhood revitalization benefits. | Not applicable | Census tracts with median family incomes < 80% of AMI or poverty levels > 20% or focused on infill sites. |

1. **California Municipal Bonds**: The following table shows examples of qualifying California Municipal Bonds.

|  |
| --- |
| **California Municipal Bond Table** |
| **Type of Bond (Schedule D)** | **Qualification Criteria** |
| Renewable Energy Generation Bonds | Anywhere in California |
| Affordable Housing Bonds | See the Affordable Housing Table on page 7. |
| Redevelopment Agency Bonds | Bonds qualify when the projects directly benefit LMI communities. Include Redevelopment Agency Bonds in the description field. Redevelopment projects offering energy efficiency improvements or generation. |
| Industrial Development Bonds (IDBs) | Bonds qualify when the project being financed would qualify as economic development, as defined, directly benefiting LMI communities and/or projects offering energy efficiency improvements or generation. |
| Health Care, Care Services or other Community Facilities Bonds | Only bonds where the beneficiaries of the financed facilities are LMI people or communities and/or projects offering energy efficiency improvements or generation. |

1. **Economic Development**: The following table shows examples of economic development investments and qualifying geographic locations.

|  |
| --- |
| **Economic Development Table** |
| **Type of Investment** | **Location of Business or Property** |
| Investments in or Loans to a Business – Usually some portion of the business would have an address meeting the location requirement. | LMI census tracts.  |
| Commercial Real Estate: - Real Estate Owned (Schedule A) - Commercial Mortgages (Schedule B) | LMI census tracts.  |
| Investments in organizations qualifying for tax credits under the New Markets Tax Credit (NMTC) program (Schedule BA) or projects offering energy efficiency improvements or generation. | Anywhere in California |
| Certain Bonds  | See California Municipal Bond Table |

#

# APPENDIX IV

|  |  |  |
| --- | --- | --- |
| **Schedule Name** | **Performance parameter** | **Example benchmark** |
| Schedule A | Capitalization rate; ROI (return on investment); Gross Rental Yield | Third party survey data, example: RealtyRates.com™ Investor Survey Cap Rate Indices |
| Schedule B | WAC (Weighted Average Coupon rate) |  |
| Schedule BA | IRR (internal rate of return) | Peers group average (PE funds with same type, vintage year, geographic focus, etc.). Data source: renowned third party data provider: Pitch Book, Preqin, Cambridge Associate, etc. |
| Schedule D | Bond :Annualized return, Coupon Rate; YTM(Yield to maturity calculated with current bond price)Stock: Annualized return; 10 years Historical price (can be shorter if there is no enough data);Coupon rate (for preferred stock) | Stock: Dow Jones Industrial Average; S&P 500 index; Russell 200 index for small companies.Bonds: Barclays Capital Aggregate Bond Index |
| Schedule E | EAY(Effective annual yield) | 3 month Treasury yield |