

DEPARTMENT OF INSURANCE

CALIFORNIA ORGANIZED INVESTMENT NETWORK (COIN)
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**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION
CERTIFICATION**

September 15, 2011

Michael A. Ocasio
President and Chief Executive Officer
Small Business Financial Development Corporation of Orange County
1913 East 17th Street, Suite 210
Santa Ana, California 92705

Dear Michael Ocasio:

This letter is to notify you that your application for certification as a Community Development Financial Institution, (CDFI), pursuant to California Revenue and Taxation Code (R&TC) Section(s) 17053.57, 23657, or 12209 has been reviewed and accepted, based on the information and documentation contained in your application (including but not limited to your representation that your organization intends to lend in urban, rural, or reservation-based communities in this State, and will use all the proceeds of Qualified Investments for the benefit of economically disadvantaged communities and low-income people in California as described in California Insurance Code Section(s) 12939 and 12939.1), and to advise you of the following:

- COIN has certified your eligibility as a Community Development Financial Institution qualified to receive "Qualified Investments" under the COIN administered California CDFI Tax Credit Program. Continuation of certification as a CDFI is contingent on continuing to meet the legal definition of a CDFI which is contained in the R&TC statutes. COIN reserves the right to request information reasonably needed to confirm continuing eligibility for certification.
- "Qualified Investment" means: 1) a deposit or loan that does not earn interest, 2) an equity investment, 3) or an equity-like debt instrument that conforms to the specifications for these instruments as prescribed by the U.S. Department of the Treasury CDFI Fund, or its successor. All qualified investments must be equal to or greater than \$50,000 and for a minimum of sixty months in exchange for a 20% tax credit.

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- If a “Qualified Investment” is *withdrawn* before the end of the 60th month and not redeposited or reinvested in another CDFI within 60 days, there shall be added to the “net tax” or “tax” as defined in R&TC Section 17039, Section 23036, or Section 28 of Article XIII of the California Constitution, for the taxable or income year in which the withdrawal occurs, the entire amount of any credit previously allowed under R&TC Sections 17053.57 or 23657, (requiring the CDFI to notify COIN *and* the Franchise Tax Board), and Section 12209, (requiring the CDFI to notify COIN *and* the Board of Equalization).
- If a “Qualified Investment” is *reduced* before the end of the 60th month, but not below fifty thousand dollars (\$50,000), there shall be added to the “net tax” as defined in Section 17039, Section 23036, or Section 28 of Article XIII of the California Constitution, for the taxable or income year in which the reduction occurs, an amount equal to 20 percent of the total reduction for the taxable or income year. Sections 17053.57 and 23657 require the CDFI to notify COIN *and* the Franchise Tax Board of the reduction, and Section 12209 requires the CDFI to notify COIN *and* the Board of Equalization.

Sincerely,



Chris Shultz
Deputy Commissioner
Community Programs