

CCM Economic Development Bond Fund LLC: The State of Michigan Impact Series

Why are we Here?

We are here to respond to a challenge from the Council of Michigan Foundations (CMF) whose members desired a fixed income impact investment product that would allow them to invest in projects that generate economic impact in Michigan – even in a particular county. CMF convened a task force to study the barriers to impact investing faced by its members. CMF then reached out to various advisors to rise to the challenge to create a product that would respond to those barriers. Morgan Stanley rose to that challenge and, after examining several investment advisors specializing in impact investing, brought CCM into the conversation as a trusted advisor with whom Morgan Stanley had worked with in the past.

In response, Community Capital Management (CCM) created the CCM Economic Development Bond Fund LLC: The State of Michigan Impact Series (the Fund) that is a high credit quality vehicle making fixed income investments in support of community economic development in the State of Michigan. CCM is one of the largest impact investment managers in the United States and brings more than 15 years of experience managing client assets in market rate bonds throughout the U.S. to Michigan's impact investing landscape. While the Fund provides a new and accessible way to participate in impact investing, CCM's footprint in Michigan is longstanding. To-date, CCM has invested over \$150 million in Michigan impact bonds.

How does the Fund Foster Social Impact in Michigan?

From mortgages for affordable rental housing properties, to small business loans targeted at job creation and in support of community development, to Michigan State Agency bonds in support of neighborhood revitalization, investment opportunities in high credit quality or Agency guaranteed securities exist throughout the state that have Michigan community economic development as their underlying purpose. These investments are garnering both social *and* financial return and are providing a unique means for investors to have their investments put to work to meet both their mission as well as their financial target returns – targeted toward their community. It is a win-win for our state's economic development and for funders' sustained asset growth and impact. The Fund, which is available exclusively to CMF members, will invest in these types of opportunities – all within the state of Michigan – and investors may target up to half of their investment to a particular county within Michigan, thus making the Fund particularly responsive to the mission of place-based funders.

The Fund Provides:

A means for funders to meet both their mission and financial target returns

Conceptually, impact investing makes good sense for many in the philanthropic sector; practically, however, the field of impact investing still has real barriers to entry. These include high minimum investment amounts and high minimum asset size requirements that leave out a majority of funders, inflexibility of directing where the funds you invest go geographically, and often investments that come with high risk profiles, high transaction costs and limited liquidity. CCM has created an investment product that specifically targets these pain points to ensure maximum participation and ease of entry.

A ripple effect to ignite economic development and growth

While impact investing has been around for decades, accessibility remains elusive for many funders and investment recipients alike. The more investors who demand financial products like the Fund, the greater the market is incentivized to create more products that meet the criteria of these investments. Take the affordable housing market as an example. The needs in the market exceed the current supply of available programs, many of which are capital constrained or have underwriting standards that are too tight for many Michigan residents. Recent initiatives such as the Detroit Home Mortgage program for affordable second mortgages received support from banks and foundations and spotlight the different ways capital providers can play their part in helping the Michigan community. In this way, the Fund acts as a demand-side stimulus to incent growth in existing and future markets for community economic development.

A proactive defense to an increasing trend of skepticism surrounding endowed philanthropy

At a time when endowed philanthropy is under heightened government scrutiny and typecast as warehouses of vast wealth that enjoy numerous tax preferences, impact investing demonstrates social return - alongside financial returns - that quickly silence skeptics of time-elapsed philanthropy. By demonstrating early return social impact with your investment portfolio as well as the financial returns to support grantmaking activities over long time horizons, you multiply your available assets to contribute towards your mission's goals.

This document provides summary information regarding the Fund. It is for internal use and reference purposes only, and not approved for distribution. It should be read in connection with more descriptive materials, including the Offering Memorandum.

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Social Impact Specifics

What will the Fund invest in?

Fund investments will be made to high credit quality bonds, including U.S. Agency guaranteed mortgage-backed securities (MBS) and taxable municipal bonds issued by Michigan state agencies. The Fund will invest exclusively in securities that have Michigan community and economic development as their underlying purpose. We believe the Fund is the first of its kind place-based initiative created for and offered to foundations.

How does CCM define “social impact” for Michigan?

High credit quality or Agency guaranteed securities that have Michigan community economic development as their underlying purpose will be the scope of social impact that the Fund seeks to have. These activities may include but are not limited to: Mortgages for low and moderate homebuyers, mortgages for affordable rental housing properties, small business loans targeted for job creation and support for community development, and Michigan State Agency bonds in support of neighborhood revitalization and affordable housing.

Social impact is an ever-broadening category, and there are many impactful investment opportunities beyond the scope of the Fund’s risk and return guidelines. For this reason, the Fund will *not* invest in venture capital, private or public equity, direct real estate, corporate bonus or loans, or project finance.

What makes the Fund different from other impact investing opportunities already available?

The Michigan Impact Series Fund is unique in its:

Focus: In addition to being a Fund exclusively investing in Michigan, investors have the opportunity to target up to 50% of their investment to a specific county level, an unprecedented level of specificity.

Accessibility: The Fund minimum investment is \$500,000, making the Fund accessible for small to mid-size foundations and large foundations alike. Minimum asset size to invest in the Fund is \$5 million and associated fees are kept to a competitive low rate.

Impact: The Fund puts social impact in the forefront and through reporting and detailed metrics, investors will be able to demonstrate specific social return from their investments. CCM’s relationship with CMF will assist in identifying effective programs and further illuminate areas of opportunity for impact investing within the state of Michigan.

Community: The Fund was built as a response to a committed group of funders’ two-year journey to address pain points in impact investing. It’s in our DNA to leverage community input and build together. To this end, the Fund leverages an investor learning community to grow social impact reporting capabilities and continue to challenge and improve upon the status quo.

What sort of social impact reporting will investors receive?

In addition to financial performance reporting, investors in the Fund will receive detailed social impact reports on the Michigan economic activity supported by the Fund and by each investor’s targeted allocation. These reports will include maps, deal descriptions and metrics on impact such as housing units created and jobs supported.

Investment Specifics

Who can invest in the Fund?

The Fund was developed in direct response to inquiries from the CMF Impact Investing Task Force, who saw the pain points in the field and, over the timespan of more than two years of work, proactively sought a solution that would engage more foundations in impact investing. Investment in the Fund is currently available exclusively to CMF members.

What is the minimum investment amount?

The minimum investment is \$500,000. Subscriptions are made via Subscription Agreement with Morgan Stanley acting as Placement Agent.

What is the liquidity for the Fund?

The Fund’s investments will be in highly liquid securities. Investors will be offered a liquidity option to redeem up to 25% of their invested capital each month. Redemptions will be at the prevailing market value for the portfolio, and there is no entrance or exit fee.

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How should an investor or their consultant treat the Fund for purposes of asset allocation?

The Fund is designed as a high credit quality, core fixed income investment that can be placed in the portion of a foundation's asset allocation that is set aside for conservative bond market investments. The Barclay's U.S. Aggregate Bond Index will be an appropriate benchmark for the Fund's performance.

When will the Fund launch?

The Fund began active marketing in the fourth quarter of 2015 and will go live as soon as cumulative investor commitments reach \$50 million.

Fund Manager Specifics

Who will manage the Fund?

The Fund will be managed by CCM, one of the largest impact investment managers in the United States. CCM currently manages over \$2.2 billion of high credit quality community development investments. The firm's web site is www.ccmfixedincome.com.

What is CCM's track record?

CCM has over fifteen years of experience managing client assets in market rate bonds in geographically targeted portions of the U.S. CCM's flagship bond fund carries a 4-star rating from Morningstar and was in the Top 1% of the 309 bond funds tracked in the intermediate government category for 2015. Over the years CCM has invested over \$150 million in Michigan impact bonds.

What types of clients does CCM work for?

CCM's \$2.2 billion of assets under management comes from over 400 institutional clients including banks, pension funds, faith-based investors, family offices, individuals and foundations. Many CCM clients have been advised by the nation's leading investment consultants and wealth managers in connection with their investment in CCM funds or separate accounts.

What is the SEC disclosure item on CCM's Form ADV?

In 2006, Todd Cohen (one of CCM's co-founders) was involved in an administrative proceeding with the SEC that resulted in a settlement in which Cohen neither admitted nor denied the SEC's allegation that he failed to supervise traders at a prior firm. The alleged activities occurred in 1998-1999 as part of a kickback scheme between a client of the prior firm and a salesperson. **CCM has never been involved in any litigation arising from the firm's role as an investment manager.** The Form ADV for CCM may be found at:

http://www.adviserinfo.sec.gov/IAPD/content/ViewForm/crd_iapd_stream_pdf.aspx?ORG_PK=109368

What is the ongoing role of CMF?

CMF has been engaged by CCM in highlighting Michigan social impact trends and facilitating a learning community to grow social impact reporting. Mission related fees received by CMF for this work are a fixed amount and independent of the quantity and size of investment in the Fund. In addition, CMF has the right of first refusal to provide the following additional services on behalf of other future regional impact investing funds offered by CCM: to share education with fellow regional grantmaking associations (RAs) and/or other philanthropic infrastructure organizations (PIOs) and their members and constituents about social impact investing, and to assist fellow RAs and/or PIOs in implementing effective social impact trend reporting for their respective state or regional locale.

It is important to note, however, that CMF is not a registered investment advisor nor a licensed broker dealer. As such, CMF may not, and does not, recommend any investment or investment professional, including the Fund, CCM or Morgan Stanley. Any CMF member's investment in the Fund must be based upon such member's own internal investment policies and procedures. CMF has no involvement in, or control over, the Fund's investments to be made by CCM nor the Fund's performance, and by law may not have any such involvement.

What is the role of Morgan Stanley?

Morgan Stanley is a member of CMF and was originally a member of the Impact Investing Task Force. Morgan Stanley resigned from the task force and began working to provide a means to overcome the impact investing barriers identified by the task force, collaboratively with task force members. After a culmination of more than two years of efforts, Morgan Stanley selected CCM as the investment manager for the Fund, and serves as the fund's Placement Agent.

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