

purpose and includes prior period investments still outstanding.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	22	17,153	0	0	2	7,613	0	0	0	0	24	24,766
2014	3	3,671	2	400	0	0	1	50	0	0	6	4,121
2015	1	1,061	1	381	0	0	1	75	0	0	3	1,517
2016	2	4,629	2	496	1	400	2	200	0	0	7	5,725
YTD 2017*	3	3,810	0	0	1	250	0	0	0	0	4	4,060
<b>Subtotal</b>	<b>31</b>	<b>30,324</b>	<b>5</b>	<b>1,277</b>	<b>4</b>	<b>8,263</b>	<b>4</b>	<b>325</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>40,189</b>
Qualified Grants & Donations	67	142	215	584	10	71	0	0	0	0	292	797
<b>Total</b>	<b>98</b>	<b>30,466</b>	<b>220</b>	<b>1,861</b>	<b>14</b>	<b>8,334</b>	<b>4</b>	<b>325</b>	<b>0</b>	<b>0</b>	<b>336</b>	<b>40,986</b>

*Source: Bank Records; \* 1/1/2017 – 4/3/2017*

Outlined below are the bank's new qualified investments:

- The bank participated in the Community Loan Fund of New Jersey Inc., an affiliate of the non-profit organization New Jersey Community Capital (NJCC). NJCC is a community development financial institution (CDFI) that provides innovative financing and technical assistance to foster the creation of quality homes, educational facilities, and employment opportunities in underserved communities in New Jersey. NJCC's investments strengthen neighborhoods, increase jobs, and provide greater opportunities for low-income populations. The bank contributed \$50,000 to this fund in 2014, \$75,000 in 2015, and \$100,000 in 2016.
- The bank participated in the Neighborhood Revitalization Tax Credit Program offered through the New Jersey Department of Community Affairs (NJDCA). This program supports specific projects that foster the revitalization of New Jersey's distressed neighborhoods. In 2014, the bank invested \$50,000 in a project sponsored by a local chapter of a national affordable housing organization. This project's goal was to provide affordable housing in the City of Paterson. A significant majority (90.9 percent) of Paterson's census tracts are low- or moderate- income. In 2016, the bank invested \$100,000 in a second project located in Paterson. This project, sponsored by a local community development corporation, financed the acquisition and transformation of property into a community center. This new community center provides educational, vocational, and micro-enterprise development services to neighborhood residents.
- During the evaluation period, the bank added a \$400,000 investment to the Solomon Hess Small Business Administration (SBA) loan fund. The bank also carried over a \$2.9 million investment in this same fund, giving them a total investment of \$3.3 million. The Solomon Hess SBA loan fund is a CDFI Fund that provides capital

products and programs to small business. This fund creates greater financial liquidity and a lower cost of capital within a certain segment of the SBA loan secondary market. The fund also promotes economic development by supporting permanent job creation or retention in low- or moderate-income census areas. The bank's donation went towards designated loans located inside the bank's assessment area.

- Eight of the bank's new qualified investments totaling \$13.1 million are mortgage-backed securities from various sources that consist of underlying mortgage loans originated to low- and moderate-income borrowers located in the bank's assessment area or in the general regional vicinity. The total amount of these mortgage-backed securities is \$13.1 million.
- The bank invested over \$1.0 million in four separate certificates of deposit (CDs) at a minority-owned CDFI headquartered in Newark, New Jersey. This CDFI helps urban communities within the bank's assessment area build economic strength by providing innovative personal checking accounts and low-cost business loans.
- In 2016, the bank renewed a \$250,000 CD at a minority-owned depository institution (MDI) located just outside of the bank's assessment area in New York, New York. This MDI serves the banking needs of small businesses located within the broader regional area that includes the northern New Jersey portion of the bank's assessment area.
- In 2017, the bank invested \$250,000 in a CDFI located in Paterson, New Jersey. This CDFI is located in a low-income census tract within the bank's assessment area.

### **Responsiveness to Credit and Community Development Needs**

Lakeland Bank's qualified investments exhibit good responsiveness to community development needs. The bank's qualified investments have community development purposes that primarily benefit communities throughout the entire assessment area.

### **Innovativeness or Complexity of Qualified Investments**

Lakeland Bank occasionally uses of innovative and complex investments to support community development initiatives. The bank actively seeks to identify qualified investment opportunities beyond grants and donations. This effort resulted in the 20 investments originated during the evaluation period that benefited the assessment area. As noted above, the bank made multiple investments in local CDFIs. These organizations use the bank's investment to provide affordable, flexible loans and investments to underserved communities. In addition, the bank increased its investment in the Solomon Hess SBA fund. The bank's contribution to this fund has directly benefited 15 assessment area small businesses that utilized the bank's funding to create or retain 192 jobs. Finally, the bank participated in the Neighborhood Revitalization Tax Credit Program. Through this program, the bank invested \$150,000 towards projects that benefited LMI individuals in the city of Paterson.

### **SERVICE TEST**