

# prudential's social investment program

## Our Mission and Investment Focus

Prudential's Social Investment Program makes socially responsible investments in the areas of economic development and education. The program will only consider proposals that do not qualify under mainstream investment guidelines. With a willingness to take informed risks, we target investments that provide the greatest social impact for individuals and commu-

nities in those locations where Prudential has its most significant business presence.

The Social Investment Program originates investments for The Prudential Insurance Company of America and The Prudential Foundation. The program is authorized to originate annually an average of \$50 million of new social investments for Prudential. In addition, each year the program originates approximately \$10 million of below-market-rate social purpose investments, called program-related investments, for

The Prudential Foundation. By year-end 2005, nearly \$1.1 billion in equity and debt investments had been provided to nonprofit and for-profit ventures. Currently outstanding investments benefit individuals in more than 600 cities and over 45 states.

## Investment Categories

Proposed investments must have a clear social purpose. Innovative projects are favored—especially if they build replicable models for solving social problems. Our primary focus is on two key issues, sub-themes from within the broader program categories:

### Charter Schools

Encourage the development and replication of quality public schools:

- Facilitate the creation and expansion of schools where student learning is based on high expectations and clearly stated performance standards, and where data-based decision-making is used to improve curriculum and instruction. Support quality school leadership.
- Support schools that address student, parent and community accountability and that provide a safe, healthy environment for student learning.

### Outstanding Commitments by Program Category

#### Economic Development

Affordable Housing	\$ 253,311,649	53.0%
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Job Creation	118,212,750	24.8%
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Minority Entrepreneurship	24,450,000	5.1%
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Community Services	11,518,050	2.4%
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<b>Total Economic Development</b>	<b>\$ 407,492,449</b>	<b>85.3%</b>
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Education	66,370,000	13.9%
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Non-Categorical	4,025,000	0.8%
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<b>TOTAL</b>	<b>477,887,449</b>	<b>100.0%</b>
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### Outstanding Commitments by Investment Type

Mortgages	\$ 70,588,050	14.8%
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Other Debt	214,435,000	44.9%
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<b>Total Debt</b>	<b>\$ 285,023,050</b>	<b>59.7%</b>
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Common Stock	8,287,750	1.7%
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Preferred Stock	4,000,000	0.8%
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Real Estate Equity	132,376,649	27.7%
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Other Non-Stock Equity	48,200,000	10.1%
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<b>Total Equity</b>	<b>\$ 192,864,399</b>	<b>40.3%</b>
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<b>Portfolio Total Commitments</b>	<b>\$ 477,887,449</b>	<b>100.0%</b>
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**Prudential  
Financial**

### Affordable Housing Preservation

Maintain existing affordable rental housing and ensure continued affordability for low-income households:

- Enable renovations and financial restructuring necessary to ensure that existing properties maintain long-term financial and physical viability.
- Encourage improved property management, the addition of community amenities and the enrichment of resident services in

order to promote successful human and community development.

In addition to financing opportunities in these two key issue areas, we will also consider investment proposals in the following program categories:

### Economic Development • Education

### Economic Development

Promote economic viability and enhance quality of life by creating long-term sustainable communities that offer employment, affordable housing and quality services for their residents.

**Affordable Housing**—Promote affordable housing for low-income populations by providing home ownership opportunities and safe rental housing. Special focus on the preservation of existing affordable housing.

**Community Revitalization**—Increase employment and asset-building opportunities for low-income populations by promoting community development activities.

**Minority Entrepreneurship**—Encourage and support business ownership and operation by minorities. Promote wealth and job creation that will increase the economic stability of communities.

**Community Services**—Provide support for organizations and projects that enhance community quality of life.

### Education

Encourage the development of educational programs that improve the quality of education for children. Support school- and non-school-based projects that increase the human potential and self-sufficiency of disadvantaged children. Special focus on charter public schools.



## Geographic Focus

The Social Investment Program focuses on **Newark, N.J.**, and the neighboring cities of Irvington, East Orange and Orange. We also emphasize funding in four other urban communities where Prudential has a significant business presence:

Jacksonville, FL • Los Angeles  
Minneapolis • Philadelphia

In these target communities, funding is available city-wide, with an emphasis on designated neighborhoods in each city.

Investment opportunities will also be considered in the following cities:

Atlanta • Chicago • Hartford, CT  
Houston • Phoenix • Washington, DC

Strategic funding initiatives with a national scope will also be considered, especially where a significant portion of the funds will be directed to the target communities.

## Investment Guidelines

The program has flexibility regarding risk and terms; however, we intend to recover our investments and earn a fair rate of return on our portfolio. Investment underwriting and structure for prospective deals resemble mainstream investment requirements. Our investment criteria include:

**Deal Structure**—The program is a lead or co-lead investor.

**Amount**—*Minimum*: \$1 million for Prudential investments; \$500,000 for Prudential Foundation-funded program-related investments. *Maximum*: \$10 million.

**Borrowers**—Both nonprofit and for-profit organizations.

**Credit Quality**—The program focuses on standard credit issues, such as debt ratio, debt and fixed charge coverage, loan-to-value ratio, management experience and expertise, borrower/developer track record, and business and industry trends.

**Use of Funds**—*Debt*: Fixed or floating rate, secured or unsecured. *Equity*: Preferred stock; non-voting common stock; voting common stock (not to exceed 10 percent of outstanding voting shares); limited partnership interests, including low-income housing tax credit partnerships. No construction loans, letters of credit, guarantees or other credit enhancements.

**Terms**—*Debt*: Target average life is five to seven years. Target maturity is 15 years. *Equity*: Target cash-out period is five to seven years. *Repayment*: Amortization is required on debt. Maximum interest-only period is five years.

## Non-Discrimination

Prudential supports nonprofit, charitable organizations and programs whose mission and operations are broad and non-discriminatory, or whose activities address social needs or benefit underserved groups and communities.

## Portfolio Characteristics and Performance

At year-end 2005, the Social Investment Portfolio had outstanding commitments of \$477,887,449 and outstanding balances of \$197,531,729, which represent a commitment increase of 4.3 percent and an outstanding balance decrease of 2.2 percent over 2004 year-end levels, respectively. These portfolio totals include both Prudential investments and Prudential Foundation program-related investments.

### Portfolio Performance—Prudential Investments

*Outstanding Commitments: \$456,337,449*

*Outstanding Balances: \$184,641,193*

The portfolio net yield on investments was 7.0 percent in 2005. This yield is net of write-downs of \$125,005 and \$1,020,644 of portfolio expenses. A significant portion of this return was generated by high-yielding tax credit equity investments that represent 27.7 percent of the portfolio of investments. While the portfolio investments are inherently risky, annual write-offs have averaged only 2.0 percent over the past five years.

### Portfolio Performance—Prudential Foundation Program-Related Investments

*Outstanding Commitments: \$21,550,000*

*Outstanding Balances: \$12,890,536*

The portfolio net yield on investments was 2.8 percent in 2005. This yield is net of write-downs of \$125,000 and \$71,255 of portfolio expenses.

For more information about Prudential's Social Investment Program, please contact us at:

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(select "About Prudential," then "Community Involvement")