
INSTRUCTIONS FOR PREPARATION OF

Consolidated Holding Company Report of Equity Investments in Nonfinancial Companies

FR Y-12

Purpose of Report

The information collected on the FR Y-12 allows the Federal Reserve to monitor the growth of domestic bank holding company, savings and loan holding company, and U.S. intermediate holding companies, (collectively, “holding company”) investments in nonfinancial companies and their contributions to capital, profitability, risk, and volatility.¹ The FR Y-12 provides more timely information than can be obtained through periodic supervisory reviews of this business line and serves to identify institutions that are significantly changing their risk profiles in this business line or devoting significant resources to this line of business.

GENERAL INSTRUCTIONS

Scope of the Information

Consolidation rules for the FR Y-12 are the same as the FR Y-9C/SP. That is, for a holding company meeting the reporting criteria described below, the holding company should consolidate its subsidiaries on the same basis as it does for its annual reports to the Securities and Exchange Commission (SEC) or, for those holding companies that do not file reports with the SEC, on the same basis as described in generally accepted accounting principles (GAAP) as set forth in the FASB Accounting Standards Codification and these instructions. For purposes of these instructions, the FASB Accounting Standards Codification is referred to as “ASC.” Generally, under the rules for consolidation established by the SEC and by GAAP,

holding companies should consolidate any company in which it owns more than 50 percent of the outstanding voting stock. The report should include all nonfinancial equity investments, regardless of where they are reflected on the balance sheet. Holding companies should exclude only those equity securities held in a trading account that are short-term in nature (namely, those that are managed or purchased with the intent to sell in relation to short-term movement in the price of the investment). In a multi-tiered organization with one or more holding companies, only the top-tier holding company should complete the FR Y-12, which would be prepared on a consolidated basis. However, if a lower-tier holding company is functioning as the consolidated top-tier reporter for other financial reports (for example, when the top-tier is a non-U.S. holding company, ESOP, or limited partnership), this lower-tier holding company should file the FR Y-12 on a consolidated basis.

Who Must Report

The FR Y-12 reporting form must be filed by each top-tier domestic holding company that files an FR Y-9C and has aggregate nonfinancial equity investments (as defined below) that equal or exceed the lesser of \$100 million (on an acquisition cost basis), or 10 percent of the holding company’s consolidated Tier 1 capital as of the report date.

The FR Y-12 reporting form also must be filed by each top-tier domestic holding company that files an FR Y-9SP and has aggregate nonfinancial equity investments (as defined below) that equal or exceed 10 percent of the holding company’s total capital (as reported in item 16(f) of the balance sheet on the FR Y-9SP) as of the report date.

A domestic holding company is a holding company that is incorporated in one of the 50 States of the United

1. Savings and loan holding companies do not include any trust (other than a pension, profit-sharing, stockholders’ voting, or business trust) which controls a savings association if such trust by its terms must terminate within 25 years or not later than 21 years and 10 months after the death of individuals living on the effective date of the trust, and (a) was in existence and in control of a savings association on June 26, 1967, or, (b) is a testamentary trust. See Section 238.2 of Regulation LL, dated September 13, 2011, for more information.

General Instructions

States, the District of Columbia, Puerto Rico, or any U.S. territory or possession.

What is a Nonfinancial Equity Investment?

This report collects information on nonfinancial equity investments held by a holding company on a consolidated basis. For the purposes of this report, a nonfinancial equity investment means an equity investment made by the holding company or any of its subsidiaries (see the Scope of the Information section above):

- pursuant to the merchant banking authority of section 4(k)(4)(H) of the Bank Holding Company Act (BHC Act) (12 U.S.C. 1843 (k)(4)(H)) and subpart J of the Board's Regulation Y,
- under section 4(c)(6) or 4(c)(7) of the BHC Act (12 U.S.C. 1843(c)(6) and (c)(7)) in a nonfinancial company (as defined in the glossary) or in a company that makes investments in nonfinancial companies, including mutual funds that hold equity investments.
- investments made through a Small Business Investment Company (SBIC) that is consolidated with the holding company or subsidiary, or in an SBIC that is not consolidated, under section 302(b) of the Small Business Investment Act of 1958,
- in a nonfinancial company under the portfolio investment provisions of the Board's Regulation K (12 CFR 211.8(c)(3)), or
- in a nonfinancial company under section 24 of the Federal Deposit Insurance Act (12 U.S.C. 1831a).

This report does not collect information on equity investments that a holding company or any of its subsidiaries may make under other legal authorities. For example, this report does not collect information on nonfinancial investments made by an insurance company subsidiary of a financial holding company (FHC) under section 4(k)(4)(I) of the BHC Act (12 U.S.C. 1843(k)(4)(I)). Also, this report does not collect information on DPC investments.

Filing of Reports

The report is to be prepared quarterly for holding companies that file the FR Y-9C, as of the end of March, June, September, and December, and semi-annually for those

holding companies that file the FR Y-9SP, as of the end of June and December. The report must be submitted within 45 calendar days of the reporting date. Reporting holding companies should submit an original and one copy of the report to the appropriate Federal Reserve Bank. Each report submitted should be signed and certified by an executive officer of the holding company. "Executive Officer" is defined in 12 CFR 215.2(d).

Alternative Report Forms

In lieu of using the printed FR Y-12 report form, the respondent may report the required data on computer print-outs that are in the identical format and size as the printed form, including line items and columns in the order in which they appear on the printed form. The form must be signed by an executive officer of the reporting institution.

Electronic submission of report form - Any holding company interested in submitting the FR Y-12 electronically should contact the appropriate Federal Reserve Bank. Holding companies choosing to submit these reports electronically must maintain in their files a manually signed and attested printout of the data submitted. Holding companies should use the cover page of the report form to fulfill the signature requirement and attach it to the data printout or declaration page.

Reporting in Dollars

All dollar amounts should be converted to U.S. dollars using the spot exchange rate on the report date, regardless of the currencies in which the transactions reported are denominated. The translations should be made on the same basis as used by the reporter to prepare its FR Y-9C and FR Y-9SP. If the holding company has no activity to report or if the item does not apply, enter a zero.

Rounding

Round all dollar amounts reported on this form to the nearest million dollars.

thousand

Negative Entries

Paper filers should report negative amounts in parentheses or with a minus (-) sign and electronic filers should report negative amounts with a minus (-) sign.

General Instructions

Confidentiality

~~The completed version of this report generally is available to the public upon request on an individual basis. However, a reporting holding company may request confidential treatment for certain portions of the FR Y-12 if the holding company is of the opinion that disclosure of specific commercial or financial information in the report would likely result in substantial harm to its competitive position, or that disclosure of the submitted information would result in an unwarranted invasion of personal privacy.~~

~~A request for confidential treatment must be submitted in writing concurrently with the submission of the report. The request must discuss in writing the justification for which confidentiality is requested and must demonstrate the specific nature of the harm that would result from public release of the information. Merely stating that competitive harm would result or that information is personal is not sufficient. The Federal Reserve System may subsequently release information for which confidential treatment is requested, if the Board of Governors determines that the disclosure of such information is in the public interest.~~

The completed version of this report generally is available to the public upon request on an individual basis. However, if a reporting holding company is of the opinion that disclosure of specific commercial or financial information in the FR Y-12 report is likely to result in substantial harm to its competitive position, the holding company may request confidential treatment for certain portions of the FR Y-12 pursuant to the Board's Rules Regarding Availability of Information, 12 CFR 261.15. A request for confidential treatment must be submitted in writing concurrently with the submission of the FR Y-12 report. This written request must provide the legal justification for which confidentiality is requested and must provide specific facts to demonstrate the nature of the harm that would result from public release of the information. Merely stating that competitive harm would result from disclosure is not sufficient. The Federal Reserve System may subsequently release information for which confidential treatment is requested, if (1) disclosure of such information is required by law (other than 5 U.S.C. § 552); (2) more than 10 years has passed since the request for confidential treatment was made by the reporting holding company; or (3) less than 10 years have passed but the Board believes that the information cannot be withheld from disclosure under 5 U.S.C. § 552(b)(4), and the reporting holding company is provided with written notice of the Board's views and with an opportunity to object to the Board's disclosure of the information that the holding company previously requested be treated as confidential pursuant to 12 CFR 261.15 and 261.16.

March 2019

December 2018

LINE ITEM INSTRUCTIONS FOR

Preparation of Consolidated Holding Company Report of Equity Investments in Nonfinancial Companies

FR Y-12

Column Instructions

Column A: Acquisition Cost (Schedules A, B, and C)

Report in column A the aggregate acquisition cost of the nonfinancial equity investments of the holding company. For purposes of this report, acquisition cost represents the amount paid by the holding company for the nonfinancial equity investment when it was acquired. This value should only be adjusted to reflect permanent write-downs taken, as well as any partial returns of capital received.

Column B: Net Unrealized Holding Gains Not Recognized as Income (Schedules A and C)

Report in column B the net unrealized holding gains, net of applicable taxes; on all nonfinancial equity investments that are reported in accumulated other comprehensive income on the FR Y-9C or FR Y-9SP. For example, for nonfinancial equity investments treated as available-for-sale securities under ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*), report the unrealized gains reported in other comprehensive income. When calculating unrealized holding gains on nonfinancial equity investments, the amount should be reduced by any unrealized holding losses. If unrealized holding losses exceed unrealized gains (i.e. net unrealized holding losses), report the net loss in parentheses or with a minus (-) sign (paper filers) or with a minus (-) sign (electronic files).

Column C: Carrying Value (Schedules A, B (Col. B), and C)

Report in column C (and schedule B, column B) the carrying value of all nonfinancial equity investments as

of the end of the reporting period. For the purposes of this report, carrying value refers to the amount of the investment as reflected in the holding company's consolidated financial statements prepared in accordance with GAAP.

For example:

- Equity securities accounted for under ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*), as available-for-sale are accounted for under ASC Topic 320 at fair value on the balance sheet. Therefore the fair values would be considered the carrying value of these securities.
- For nonfinancial equity investments that are accounted for under the equity method of accounting, the carrying value is the acquisition cost adjusted for pro-rata share of earnings/losses and decreased by cash dividends or similar distributions.
- For nonfinancial equity investments that do not have readily determinable fair values, carrying value should be reported at historical cost.

(Schedule A only)

Column D: Publicly Quoted Value

Report in column D the publicly quoted market value of all publicly traded nonfinancial equity investments as of the end of the reporting period (e.g., the number of shares held times the closing market price per share on the last business day of the reporting period). For purposes of this report, a public company is a company that has one or more issues of publicly traded stock. If no quoted market price is available, enter zero.

Line Item Instructions

(Schedule D only)

Column A, Column C, and Column E: Acquisition Cost

Report in column A the aggregate acquisition cost of all **direct public investments** subject to the listed transactions **during the reporting period**. Report in column C the aggregate acquisition cost of all **direct nonpublic investments** subject to the listed transactions **during the reporting period**. For purposes of this report, acquisition cost represents the amount paid by the holding company for the nonfinancial equity investment when it was acquired, adjusted for any permanent write-downs taken in prior reporting periods, or any partial returns of capital received in prior reporting periods. Report in column E the aggregate acquisition cost of all indirect (fund) investments subject to the listed transactions during the reporting period.

Column B, Column D, and Column F: Carrying Value

Report in column B the carrying value of all **direct public investments** subject to the listed transactions **during the reporting period**. Report in column D the carrying value of all **direct nonpublic investments** subject to the listed transactions during the reporting period. For the purposes of this report, carrying value refers to the amount of the investment as reflected in the holding company's consolidated financial statements prepared in accordance with GAAP. For example, available-for-sale equity securities generally are accounted for under ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*), at fair value on the balance sheet. Therefore fair value would be considered the carrying value of these securities. Report in column F the carrying value of all indirect (fund) investments subject to the listed transactions during the reporting period.

Instructions for Specific Lines of Schedule A: Type of Investments

Line Item 1 Direct investments in public entities

For purposes of this report, a public entity is an entity that has one or more issues of publicly traded stock. Report in column A the acquisition cost of the holding company's nonfinancial equity investment in public entities. Report

in column B net unrealized holding gains not recognized as income. Report in column C the carrying value of the holding company's investments in public entities. Report in column D the publicly quoted value of the holding company's investments in public entities.

Line Item 2 Direct investments in nonpublic entities

For purposes of this report, a nonpublic entity is one that does not have any issue of publicly traded stock. Report in column A the acquisition cost of these investments. Report in column B net unrealized holding gains not recognized as income. Report in column C the carrying value of these investments.

Line Item 3 All indirect investments

Report in column A the acquisition cost of the holding company's nonfinancial equity investments in these funds or other entities. See the glossary for a definition of indirect investments. Report in column B net unrealized holding gains not recognized as income. Report in column C the carrying value of these investments. For purposes of this report, the total amount of the equity investment in the fund is reportable even if only a portion of the fund investments is made in nonfinancial companies.

Line Item 4 Total portfolio

Report in columns A through C the totals of items 1, 2, and 3 for Schedule A.

Memoranda

Line Item M1 Total portfolio

Check the box that represents the total number of companies in which the holding company has nonfinancial equity investments. For indirect investments, count the number of investment funds or similar entities in which the holding company has an indirect investment.

Line Item M2 Investments held under merchant banking authority (FHCs only)

This item only applies to FHCs. Report in column A the acquisition cost of investments held by the FHC (on a consolidated basis) under the merchant banking authority of the Gramm-Leach-Bliley Act (GLBA) (12 U.S.C. 1843(k)(4)(H)) and Federal Reserve regulation. Report in

Line Item Instructions

column B net unrealized holding gains of these investments not recognized as income. Report in column C the carrying value as defined above. The carrying value should be reported using the same valuation method used in preparing the FR Y-9C or FR Y-9SP.

Line Item M3 Pre-tax impact on net income from items 1, 2, and 3 above (FR Y-9C filers only)

For direct or indirect investments reported in items 1, 2, and 3 above, report the impact that these investments had on the holding company's consolidated net income (loss). The information reported for this line item should reflect the pre-tax year-to-date net gain (loss) that the nonfinancial equity investments reported on lines 1, 2, and 3 of the form had on the filer's net income (loss) reported in Schedule HI, item 8 of the FR Y-9C. Filers should not include overhead or other expense related items when calculating the net gain (loss) produced by the nonfinancial equity investments captured on the form. This item should not be reported by holding companies that file the FR Y-9SP report. If the impact on net income is a loss, report the net loss in parentheses or with a minus (-) sign (paper filers) or with a minus (-) sign (electronic filers). Include the net gain (loss) of all nonfinancial equity investments not held in the trading account, regardless of where such investments are reflected in the financial statements of the reporting holding company.

Line Item M4 Investments managed for others

This item applies to all holding companies that manage nonfinancial equity investments for others by serving as a general partner in a limited partnership or performing a similar function in a private equity fund. These investments are not owned by the holding company and are not consolidated in the holding company's financial statements. Exclude investments managed through a bank trust department in a fiduciary capacity. While this is an off-balance sheet item, report the carrying value of all investments managed for others, as established by the general partner (in the case of a fund) or as established by the holding company in its investment management capacity. If the holding company does not manage nonfinancial equity investments for others, proceed to Schedule B.

Line Item M5 Pre-tax impact on net income for management fees from item M4 above (FR Y-9C filers only)

Report the impact on the holding company's consolidated net income (loss) from management fees generated

from investments managed for others reported in item M4. The information reported for this line item should reflect the pre-tax year-to-date net gain (loss) that the management fees for the investments reported on line M4 of the form had on the filer's net income (loss) reported in Schedule HI, item 8 of the FR Y-9C. Filers should not include overhead or other expense related items when calculating the net gain (loss) produced by the nonfinancial equity investments captured on the form. This item should not be reported by holding companies that file the FR Y-9SP report. If the impact on net income is a loss, report the net loss in parentheses or with a minus (-) sign (paper filers) or with a minus (-) sign (electronic filers).

Instructions for Specific Lines of Schedule B: Type of Security

Line Item 1 Common stock

Report in column A the acquisition cost of the holding company's nonfinancial equity investments that are in the form of voting and non-voting common stock. Report in column B the carrying value of all such voting and nonvoting common stock held by the holding company.

Line Item 2 Convertible debt and convertible preferred stock

Report in column A the acquisition cost of the holding company's nonfinancial equity investments that are in the form of convertible debt and convertible preferred stock. Report in column B the carrying value of such convertible bonds and convertible preferred stock held by the holding company. This item would include mezzanine debt that is convertible into equity.

Line Item 3 Other equity instruments

Report in column A the acquisition cost of all of the holding company's other nonfinancial equity investments not specified in items 1 and 2. Report in column B the carrying value of these nonfinancial equity investments. See the glossary definition of equity investment for what types of securities to include in this item.

Line Item 4 Total portfolio

Report the sum of items 1 through 3 for columns A and B. Item 4, columns A and C of Schedule A must equal item 4, columns A and B of Schedule B, respectively.

Line Item Instructions

Memoranda

Line Item M1 Unused equity commitments

Report any unused portion of legally binding commitments to make a nonfinancial equity investment.

Line Item M2 Warrants

Does the holding company hold any Warrants or similar instruments received in connection with equity investment activity? (See the glossary definition) Enter “1” if yes, “0” (zero) if no.

Instructions for Specific Lines of Schedule C: Type of Entity Within the Banking Organization

Line Item 1 Depository institutions

Line Item 1(a) SBICs

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the nonfinancial equity investments held by all SBICs that are consolidated in the financial statements of a subsidiary depository institution of the holding company. Also include the acquisition cost and carrying value of any nonfinancial equity investment made by a subsidiary depository institution in a SBIC that is not consolidated with the depository institution for accounting purposes.

Line Item 1(b) Edge and agreement corporations

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the direct and indirect nonfinancial equity investments of all Edge or agreement corporations that are owned or controlled by subsidiary depository institutions of the holding company. Edge corporations are formed under Section 25A of the Federal Reserve Act and agreement corporations are formed under Section 25 of the Federal Reserve Act.

Line Item 1(c) All other

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the direct and indirect nonfinancial equity investments of the subsidiary depository institutions of the holding company that are not reported in items 1(a) or 1(b). All other nonfinancial

equity investments owned or controlled directly or indirectly through a depository institution should be reported on this line item.

Line Item 2 Parent holding company and other nonbank subsidiaries

Line Item 2(a) SBICs

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the direct and indirect nonfinancial equity investments (including nonfinancial equity investments held under Merchant Banking Authority) of all SBICs that are consolidated with the holding company for accounting purposes and that are not owned or controlled by the holding company through a depository institution. Also include any nonfinancial equity investment made directly or indirectly by the holding company or a nondepository subsidiary in a SBIC that is not consolidated for accounting purposes.

Line Item 2(b) Edge and agreement corporations

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the direct and indirect nonfinancial equity investments of all Edge or agreement corporations that are not owned or controlled by the holding company through a depository institution. Edge corporations are formed under Section 25A of the Federal Reserve Act and agreement corporations are formed under Section 25 of the Federal Reserve Act.

Line Item 2(c) Broker-Dealers

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the direct and indirect nonfinancial equity investments (including nonfinancial equity investments held under Merchant Banking Authority) of subsidiaries of the holding company that are registered with the SEC as a broker-dealer. Exclude any nonfinancial equity investment held in a trading account in accordance with applicable accounting principles and as part of an underwriting, market making or dealing activity. Also, exclude nonfinancial equity investments of broker-dealers that are controlled by the holding company through a depository institution.

Line Item Instructions

Line Item 2(d) Private Equity subsidiaries

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the all direct and indirect nonfinancial equity investments held in a nonbank subsidiary predominantly engaged in investing and managing nonfinancial equity investments authorized under section 4(c)(6) or 4(c)(7) of the BHC Act, or under Merchant Banking authority of GLBA (excluding investments held by SBICs, Edge or agreement corps, and broker-dealers reported in 2(a), 2(b), and 2(c) above.

Line Item 2(e) All other

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of all other direct and indirect nonfinancial equity investments of the holding company and its nondepository institution subsidiaries that are not reported in items 2(a) through 2(d).

Line Item 3 Total portfolio

Columns A, B, and C must equal the sum of items 1 and 2 of Schedule C, and item 4, columns A, B, and C of Schedule A.

Memoranda

Line Item M1 Domestic investments

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the direct and indirect nonfinancial equity investments of the consolidated holding company in companies domiciled in the 50 States of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. The sum of memoranda items 1 and 2, columns A, B, and C, should equal Schedule A, item 4, columns A, B, and C.

Line Item M2 Foreign investments

Report in columns A, B, and C, the acquisition cost, net unrealized holding gains not recognized as income, and carrying value, respectively, of the direct and indirect nonfinancial equity investments of the consolidated holding company in companies domiciled outside the 50 States of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. The sum of memorandum item 1 and memorandum item 2,

columns A, B, and C, should equal Schedule A, item 4, columns A, B, and C.

Instructions for Specific Lines of Schedule D: Nonfinancial Investment Transactions During Reporting Period

Line Item 1 Purchases

Report in columns A and B for direct public investments, columns C and D for direct nonpublic investments, and columns E and F for indirect (fund) investments, the aggregate acquisition cost and carrying value, respectively, of all nonfinancial equity investment purchases made during the reporting period. In most cases carrying value will equal acquisition cost. This item is reported as a net addition to the portfolio.

Line Item 2 Less: Return of Capital

Report in columns A and B for direct public investments, columns C and D for direct nonpublic investments, and columns E and F for indirect (fund) investments, the aggregate acquisition cost and carrying value of all investments that realized returns of capital (exclusive of realized gains/losses) during the reporting period. This item is reported as a net reduction to the portfolio.

Line Item 3 Net Valuation Changes

Report in column B for direct public investments, column D for direct nonpublic investments, and column F for indirect (fund) investments, the aggregate net change to the portfolio carrying value since the last reporting period. Changes should include adjustments to all nonfinancial equity investments reflecting write-ups, write-downs, or write-offs during the reporting period. If the aggregate change is a negative value, enclose the amount in parentheses or with a minus (-) sign (paper filers) or use a minus (-) sign (electronic filers).

Line Item 4 Other

Report in columns A and B for direct public investments, columns C and D for direct nonpublic investments, and columns E and F for indirect (fund) investments, any other transactions affecting the aggregate acquisition cost or carrying value of the portfolio during the reporting period. (e.g., write-downs for permanent impairment or investments acquired through mergers. Holding companies have the option of including permanent impairment

Line Item Instructions

write-downs to carrying value in net valuation changes in line item 3). If a negative value, enclose the amount in parentheses or with a minus (-) sign (paper filers) or use a minus (-) sign (electronic filers).

Line Item 5 Total Transactions

Report the sum of items 1 through 4, for columns A, B, C, D, E, and F.

Glossary

For the definition of Appropriate Federal Reserve Bank, Bank Holding Company, BHC Act, Company, Control, Depository Institution, Edge Corporation, FHC, Foreign Investment, Savings and Loan Holding Company, and U.S. intermediate holding companies, please refer to the glossary of the FR Y-10.

Acquisition Cost: For purposes of this report, acquisition cost refers to the aggregate acquisition cost of nonfinancial equity investments currently held. This value should be adjusted to reflect permanent write-downs as well as any partial returns of capital. Exclude adjustments for temporary impairment write-downs, amortization of discounts or premiums (e.g., on convertible debt), and fair value adjustments.

Carrying Value: For the purposes of this report, carrying value refers to the amount of the investment as reflected in the holding company's consolidated financial statements prepared in accordance with GAAP. Carrying value includes adjustments for return of capital as well as impairment write-downs, amortization of discounts or premiums (e.g., convertible debt), and fair value adjustments that are reflected on the balance sheet.

Convertible Bonds and Convertible Preferred Stock: For the purposes of this report, bonds or preferred stock that can be converted into or redeemed for a company's common stock at a prearranged price are considered convertible.

Direct Investment: For the purposes of this report, a direct investment is any nonfinancial equity investment that the holding company or any of its consolidated subsidiaries holds directly in a nonfinancial entity.

Equity Investment: For purposes of this report, an equity investment refers to common stock, partnership interests, convertible preferred stock, convertible debt, and warrants, options, and other rights that give the holder the right to acquire common stock or instruments convertible into common stock. An equity investment

does not include any position or security held in a trading account on a short-term basis, in accordance with applicable accounting principles, and as part of an underwriting, market-making or dealing activity.

Indirect Investment: For the purposes of this report, an indirect investment is a nonfinancial equity investment that the holding company or any of its consolidated subsidiaries has in an investment fund or similar entity that is engaged in the business of making equity investments in nonfinancial companies. An investment fund can be organized in any form, including as a partnership, corporation, or limited liability company. An example of an indirect investment is an investment in a private equity fund that makes merchant banking investments under section 4(k)(4)(H) of the BHC Act (12 U.S.C. 1843(k)(4)(H)).

Mezzanine Financing: Mezzanine generally refers to that subordinated layer of financing between a company's senior debt and equity. This type of financing combines the characteristics of debt and equity funding, and, in many instances, is convertible into equity securities or comes with warrants attached. Mezzanine debt is often used to finance acquisitions and buyouts, and is viewed as an attractive investment because of its higher returns that are unavailable to senior lenders. However, in a liquidation situation mezzanine lenders' repayment status is only better than that of the equity holders.

Nonfinancial Company: A nonfinancial company is a company that is engaged in any activity that has not been determined to be financial in nature or incidental to a financial activity under section 4(k) of the BHC Act (12 U.S.C. 1843(k)). Examples of activities that are considered nonfinancial in nature are: Telecommunications, Health Care, Entertainment, Transportation, and Manufacturing.

Nonpublic Company: A nonpublic company has equity shares that are not traded on the open market. This type

Glossary

of company is also called a private company, which is the opposite of a public company.

Public Company: A public company has issued securities through a “public offering” and are now traded on the open market (i.e., NYSE, NASDAQ). This type of company is also called “publicly held” or publicly traded, and the opposite of a private company.

Subsidiary: For purposes of this report, subsidiary means any company in which the holding company, directly or

indirectly, owns or controls more than 50 percent of the outstanding voting stock and which is consolidated under GAAP in the parent holding company’s financial statements.

Warrant: A type of security, usually issued together with a subordinated debt instrument (Mezzanine Debt), restructured debt, or a bond or preferred stock offer, that entitles the holder to buy (exercise) a proportionate amount of common stock at a specified price, for a period of years or to perpetuity.