

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
("NJEDA" or the "Authority")**

**NOTICE OF INVESTMENT OPPORTUNITY**

**For**

**New Jersey State Small Business Credit Initiative (SSBCI) Blended Capital Fund**

**Deadlines, Q&A, Confidentiality**

**SUBMISSION REQUIREMENTS AND TIMELINE**

Respondents to this Notice of Investment Opportunity are required to submit detailed responses to the questions covered in Appendix A and to provide the documents listed in Appendix B. Additional compliance requirements are described in Section 6.

**NOTICE PROJECTED MILESTONE DATES:**

**Notice of Investment Opportunity Available on NJEDA Website:** Thursday, February 9, 2023, 5:00 PM ET

**Responses to Notice Due:** Thursday, March 16, 2023, 5:00pm ET (35 days after notice available)

via electronic format only to [SSBCI\\_info@njeda.com](mailto:SSBCI_info@njeda.com)

**Review and Consideration of Investment by Authority Board:**

Wednesday, May 10, 2023\* (55 days after responses due)

**Documentation and Contract Executed:**

Monday, July 10, 2023\*

\* The above dates are provided to interested fund managers for planning purposes only. These are estimated timeline dates and do not represent firm commitment dates by the Authority.\*

**PLEASE BE AWARE THAT THE NEW JERSEY DEPARTMENT OF THE TREASURY HAS NOT YET EXECUTED AN ALLOCATION AGREEMENT FOR FUNDING FROM THE U.S. TREASURY'S STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI) PROGRAM. ANY SELECTION OF A FUND MANAGER AND EXECUTION OF CONTRACT IS SUBJECT TO THE U.S. TREASURY'S APPROVAL OF THE SSBCI FUNDS AND THE NEW JERSEY DEPARTMENT OF THE TREASURY'S EXECUTION OF THE ALLOCATION AGREEMENT WITH THE U.S. TREASURY. ADDITIONALLY, ANY INVESTMENT AND PAYMENT BY THE AUTHORITY IS SUBJECT TO THE NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY'S RECEIPT OF SSBCI FUNDING. THE ALLOCATION AGREEMENT MAY REQUIRE ADDITIONAL COMPLIANCE OBLIGATIONS OR RESPONSIBILITIES FROM THE SELECTED FUND MANAGER WITH REGARD TO THE BLENDED CAPITAL FUND.**

When preparing your response to this Notice, keep in mind that, in this Notice, the word "shall" or "must" denotes proposal items which are mandatory for a proposal to be deemed complete; the word "should"

denotes proposal items which are recommended, but not mandatory; and the word “may” denotes proposal items which are permissible, but not mandatory.

### **QUESTIONS and ANSWERS:**

- Questions concerning this notice may be submitted in writing via e-mail to [SSBCI\\_info@njeda.com](mailto:SSBCI_info@njeda.com) and must be received at or before 5:00 PM ET Tuesday, February 21, 2023. Phone calls/faxes shall not be accepted.
- The subject line of the e-mail must state: “SSBCI Blended Capital Fund Manager Notice of Investment Opportunity.”
- All answers to the questions submitted within the required timeline for this notice will be posted to the Authority’s website <https://www.njeda.com/notices-of-investment-opportunity/> as soon as available, but in no event later than Friday, March 3, 2023 at 5:00 PM ET.

### **CONFIDENTIALITY:**

All responses and materials submitted in connection with this Notice may be subject to requests for disclosure, including, but not limited to the Open Public Records Act ("OPRA"), N.J.S.A. 47:1A-1 et seq. If the respondent asserts that any of its information is protected from disclosure, respondent must identify and mark any such specific information as protected and must provide the basis for such purported protection from disclosure.

### **1. INTENT/SUMMARY**

The Authority seeks submissions from capital managers that have demonstrated competency, capacity, and skills to handle an investment from a state, have demonstrated previous capacity to create and manage a Special Purpose Vehicle (“SPV”), and have demonstrate familiarity with the Federal SSBCI program. The selected capital manager (“Fund Manager”) shall create and manage the Blended Capital Fund as an SPV to support New Jersey-based small businesses. The SPV will be funded by a proposed \$50 million investment from NJEDA from SSBCI funds (provided in three tranches and subject to availability of funds). The Fund Manager shall demonstrate how NJEDA’s investment will support the purpose of the Blended Capital Fund (the “Fund”): a place-based loan participation program designed by NJEDA to address the capital needs of small businesses and nonprofit organizations with a focus on under-resourced and under-banked communities. The Fund will purchase participations in loans that meet standardized, affordable loan product criteria and are originated by community lenders serving New Jersey businesses. The goal of the Fund is to: create high-quality services and support for small businesses, gain maximum leverage from limited public sector resources, strengthen the local Community Development Financial Institution (CDFI) and Minority Depository Institution (MDI) market, and build a sustainable, flexible, and scalable platform that will continue for years to come. Further, the Fund Manager of the SPV shall sell the loan participations it has purchased as securitized notes, enabling it to replenish the Fund’s capital and to purchase additional eligible loan participations from New Jersey community lenders. NJEDA will work with the Fund Manager to recruit CDFIs and MDIs serving New Jersey businesses to participate as lenders.

Additionally, in accordance with SSBCI requirements, the Fund Manager must raise private capital match of at least 1:1 at the fund level (that is, at least \$50 million of private capital), yielding a total fund of at least \$100 million. The selected Fund Manager will set up, manage, and maintain the Fund for upfront fees and a share of loan originations and/or loan balance(s). Interested capital managers must propose the cost structure in the response to this notice. The loans purchased by the Fund must have a New Jersey business location and must meet other eligibility criteria described in Section 5.

The New Jersey Department of the Treasury has applied, but not yet executed an agreement, for an award of \$50 million dollars for the New Jersey (NJ) SSBCI Blended Capital Fund from the U.S. Treasury's State Small Business Credit Initiative (SSBCI). The New Jersey Department of the Treasury has designated the New Jersey Economic Development Authority (NJEDA or the Authority) as the Administering Entity for the Blended Capital Fund. The Fund Manager selected must be ready to accept NJEDA's investment and deploy this model in NJ shortly after the award of the SSBCI funds, as U.S. Treasury requires that, within 90 days of signing the SSBCI allocation agreement, SSBCI programs be fully positioned to provide the kind of credit support they were established to provide. The selected Fund Manager must be able to meet this requirement, as the U.S. Treasury may further specify, including having legal documents and form agreements drafted and processes in place by this deadline. While the SSBCI compliance requirements and regulations listed in this notice are current, there is no guarantee that this is a complete list of SSBCI responsibilities. The Fund Manager shall be responsible for complying with additional and final SSBCI rules and requirements applicable to the Fund when and as issued by the U.S. Treasury.

NJEDA intends to commit SSBCI funds to one Fund Manager for the purpose of the Blended Capital Fund. The awarded Fund Manager shall work with various CDFIs and MDIs that will provide loans to NJ-based businesses. The Fund Manager shall then support CDFI/MDI lending efforts by purchasing eligible loans from CDFI and MDI balance sheets. Prior to the purchase of any specific loans, the selected Fund Manager shall seek pre-approval from the NJEDA on the SSBCI program compliance of that particular loan.

The objective of this Notice is to identify one Fund Manager whose expertise will best meet the goals of the SSBCI program and the Blended Capital Fund. The NJEDA reserves the right to reject any and all submissions at its discretion, including any submissions that may meet the minimum score.

As further described in Section 4, the Fund Manager shall establish and manage the Blended Capital Fund. Management of the Fund shall broadly entail, but not be limited to:

- Creating the Fund SPV;
- Contributing to the Fund capital raise by utilizing its own funds or established and documented relationships to draw private capital into to the Fund;
- Managing the Fund's day-to-day operation and reporting requirements (e.g., setting and managing annual budgets; managing employees, back-office, vendors, etc.); developing, managing, and maintaining necessary underwriting capabilities to be able to identify eligible loans to purchase;
- Providing a plan for raising awareness of the loan participation program among small businesses and connecting them with potential lenders;
- Developing and maintaining a pipeline of prospective, NJ-based small businesses in need of loans through CDFIs/MDIs, by offering an online platform to source, screen, and match potentially eligible borrowers with participating CDFIs/MDIs;
- Managing relationships with CDFIs and MDIs, including sourcing new CDFI and MDI origination partners;
- Managing relationships with private banks and investors for sales of securitized notes;
- Ensuring the Fund and individual transactions adhere to all SSBCI program and NJEDA fund and loan participation program requirements and a document evidencing such is supplied to the NJEDA **prior to** any loan participation being funded; and
- Complying with all SSBCI and NJEDA required reporting requirements, as dictated in this document and on relevant SSBCI rules, requirements, policies, and other guidance documents.

To be considered, respondents must fully respond to the Due Diligence Questionnaire in Appendix A and must include the required exhibits listed in Appendix B. If any section or question does not apply then respondent must indicate that it is not applicable. The evaluation process is outlined in Section 7.

## 2. **BACKGROUND**

On March 11, 2021, President Biden signed The American Rescue Plan Act, which provided \$10 billion to fund SSBCI and authorized U.S. Treasury to administer SSBCI for seven years after enactment, through March 2028. The program was created to strengthen state programs that support private financing to small businesses, thereby delivering credit and investment capital to small businesses that are not getting the support they need to expand and create jobs. Additional information on the SSBCI program can be found here: <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/ssbci-2021>.

Of the \$10 billion of SSBCI funding, the State of New Jersey (“NJ” or “State”) has been allocated \$255 million. The NJEDA has been designated by the New Jersey Department of the Treasury to administer the funds on behalf of the State. When the New Jersey Department of the Treasury receives the allocation from the SSBCI program, \$50 million will be committed to administer the Blended Capital Fund and is awaiting approval of the State’s application. The SSBCI funding is disbursed to states in three tranches. Timing and size of these tranches can depend on a state’s performance across its SSBCI program portfolio.

NJEDA has a long history of lending to small businesses, as well as supporting CDFIs through grants and access to capital. The economic impact of COVID-19 has been unprecedented. One of the hardest hit segments of the US economy has been the small business community. While the overall economy will rebound, without appropriate access to capital and tailored support, small businesses will face a longer recovery and struggle to pick up the pieces. Ensuring the eventual recovery benefits all of New Jersey’s residents will require targeted intervention and focus on populations that will otherwise be left behind. Some communities in which small businesses operate do not often benefit from top-down policies and relief efforts. It takes tailored resources – capital, information, services – from trusted partners to reach them. The creation of this Fund is a way to accomplish servicing a broader pool of NJ based small businesses. The Fund Manager shall recruit CDFIs and MDIs to participate by offering a specific loan participation product designed to meet the needs of the smallest of small businesses and nonprofits – those with no more than \$10 million in revenue – and to reach historically vulnerable and underserved communities.

The guiding principles of the Fund and the loan participation product design are:

- To provide a streamlined path for small businesses in need of loans, including standardized and easy to understand loan terms and access to experienced community lenders;
- To bolster community lending infrastructure by increasing the capacity of CDFIs and MDIs that lend to NJ businesses, allowing them to increase their reach and lending volume;
- To use public SSBCI capital to catalyze the creation of a loan participation fund that includes matching private capital; and
- To create a lasting and flexible solution to address demand for community lending to small businesses through the current economic recovery and beyond.

Interested capital managers must understand the reporting and compliance standards mandated by SSBCI. The successful manager must commit to adhering to all reporting and compliance requirements set by SSBCI and/or NJEDA for any transaction that utilizes SSBCI monies. The successful manager must also demonstrate an ability to leverage the allocated public funds for additional private capital to achieve at least a public/private ratio of 1:1 at the fund level.

## 3. **REPORTING REQUIREMENTS AND COMPLIANCE OVERVIEW**

NJEDA's investment in the Blended Capital Fund will be comprised of federal monies received through SSBCI, hence the Fund Manager selected for and participating in the Blended Capital Fund must adhere to SSBCI compliance requirements and regulations.

A key requirement for SSBCI is the 1:1 financing ratio. The guidelines for the SSBCI Program mandate that "at a minimum, \$1 of public investment by the State program will cause and result in \$1 of new private [financing capital]." For this Fund, the "cause and result" requirement will be met by the selected Fund Manager raising matching private capital of at least 1:1 at the fund level, because private capital would not enter into the SPV for the purpose of purchasing CDFI and MDI loans without the presence of the SSBCI capital. The Fund's ability to begin purchasing eligible loans is conditional upon the Fund first meeting or exceeding the 1:1 private financing ratio.

In addition to the NJEDA reviewing all loans prior to the funding of a participation, after each loan participation purchase the funds must continue to be monitored, with a written detailed report for each loan participation transaction made by the Fund. Example reporting shall include, without limitation, details on loan performance and other transaction-specific details for each loan that was purchased, including details on the borrower business and its owners. Transaction details and federally-required certifications must be provided to NJEDA before funding each transaction. NJEDA will utilize a compliance checklist to verify compliance before approving the use of SSBCI funds. Compliance requirements are summarized in attached Appendix C for your review. Detailed program information, including [Capital Program Policy Guidelines](#), [Frequently Asked Questions](#), and [Capital Program Reporting Guidance](#), is available on U.S. Treasury's SSBCI website at <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/ssbci-2021>. U.S. Treasury may make additional changes or clarifications to these requirements, and the Fund Manager shall be required to comply with all such changes that are applicable to the NJ SSBCI Blended Capital Fund.

While the compliance and regulations listed in this notice are current, there is no guarantee that this is a complete list of your responsibilities. The Fund Manager shall be responsible for complying with additional and final SSBCI rules and requirements applicable to the Fund when and as issued by the U.S. Treasury. In addition, the Fund Manager's obligations and responsibilities shall be consistent with and comply with the terms of the allocation agreement that will be signed between U.S. Treasury and the New Jersey Department of the Treasury that will govern the use of the SSBCI funds that NJEDA will invest in the Fund. A [Sample Capital allocation agreement](#) is available on the U.S. Treasury SSBCI website, and exact terms will be shared with the selected manager once the New Jersey allocation agreement is executed.

The Fund Manager shall submit reports to the Authority within 15 days after the end of each quarter. In addition to the report items listed above, the report shall also include the total amount of SSBCI funds deployed to eligible small businesses on a quarterly and cumulative basis, the aggregate amount of SSBCI funds deployed for very small businesses (VSBs) and businesses owned by socially and economically disadvantaged individuals (SEDI-owned businesses), the amount of loan participation program income generated, and the amount of SSBCI fund deployed for administrative costs. The Fund Manager shall also submit quarterly reporting with transaction detail to NJEDA.

The Fund Manager shall submit SSBCI annual reports to NJEDA by March 15<sup>th</sup> of each year, beginning in 2023. These reports must comply with SSBCI reporting guidelines and include, but not necessarily be limited to:

- Reporting transaction-level data for each loan participation made in the prior calendar year
- Reporting company-specific detail for each small business that received a loan participation
  - Company leadership's demographics
  - Company's total employment numbers

- Reporting information on all subsequent private financing or investments received by companies that received SSBCI funds in prior years
- Reporting a summary of the performance results for all loan participations made, partially or in full, with SSBCI funds.
- Certification that no principal of the financial institution lender or of the borrower has been convicted of a “sex offense” against a “minor” (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (34 U.S.C. § 20911, formerly 42 U.S.C. § 16911))

These annual reports must contain transaction-level data, including small business characteristics, for each loan participation made with SSBCI funds for that year, and information on all subsequent private financing or investments received by companies that received SSBCI loan participations in prior years, as well as a summary of the performance results for all loan participations made, partially or in full, with SSBCI funds.

#### 4. **SCOPE OF WORK FOR FUND MANAGEMENT**

The Fund Manager shall establish the Fund as a new SPV specifically for the purposes of the Blended Capital Fund and shall manage the Fund to purchase loan participations that meet standardized loan product criteria (the “Eligible Loans”). To be an Eligible Loan, the loan must be originated by participating CDFIs and MDIs as identified through NJEDA and the Fund Manager’s outreach efforts. The Eligible Loans are loans provided through a standardized loan product that will offer access to capital to small businesses based in NJ. This will allow NJ small businesses to have access to a lending product in a more streamlined fashion. The product is targeted to the smaller community-based businesses that often struggle with access to credit from traditional lending sources.

The Fund Manager shall establish the Fund for the purposes of attracting and leveraging NJEDA investment with private capital. The Fund Manager shall be responsible for administering this Fund, with oversight by NJEDA, and may contract with third-party entities through services contracts, if necessary. The Fund Manager shall inform NJEDA of any third-party entities in the Fund Manager’s submission if the identity of the third-party entity is known and seeks to have the Authority consider the third-party entity as part of the Fund Manager’s submission. The Fund Manager must obtain NJEDA consent to bring on additional third-party entities or to replace named third-party entities.

The Fund Manager shall offer a centralized online portal to support loan sourcing and loan participation pipeline development for the Fund. By submitting a response, the respondent acknowledges that U.S. Treasury has not specified which aspects of the Fund, such as this online portal, must be in operation within 90 days of the New Jersey Department of the Treasury signing the SSBCI allocation agreement and that the Fund Manager shall comply with the requirement to fully position the Fund and the loan participation product as required by U.S. Treasury within the 90-day period. The portal shall make it easy for small businesses to understand the program and the loan terms and to submit a pre-application. This shall also allow for lead sourcing and referrals to help connect small businesses to CDFIs and MDIs offering eligible loans. This portal may be hosted by the Fund Manager or by a third-party entity selected by the Fund Manager. The online portal must include the capability to determine whether the small business is eligible or ineligible for a loan based on basic criteria. If a business is ineligible, it must be notified and provided with a list of other resources that it may be able to access for technical and financial support. If the business is eligible, it must be matched with one or more participating community lenders that serve the business’s location and profile. If matched with multiple CDFIs/MDIs, the business must have the opportunity to select a preferred lender and to click to connect with that lender directly. Once a business is matched, the participating CDFI/MDI will contact the business and invite it to submit a full application. Then the

business will work directly with the CDFI/MDI to provide additional information and documentation required to conduct its full underwriting, pursuant to the underwriting guidelines.

After a small business is approved for a loan, the CDFI/MDIs will manage the process to close and fund, including collecting any additional transaction-level or business-level data required by SSBCI. The Fund Manager shall only purchase loans for which the transaction-level and business-level data required by SSBCI was collected. The small business will make monthly payments and maintain its relationship with that CDFI/MDI throughout the life of the loan. Once a loan package is complete, the CDFI/MDI will transfer the loan documentation to the selected Fund Manager, who will review for loan eligibility and compliance, process the closed loan packages from each originating CDFI/MDI, and purchase the participation in the eligible loan with Fund moneys (subject to availability of money in the Fund).

The Fund, as directed by the Fund Manager, shall purchase 80% of every eligible loan originated by these lenders through the loan participation program, subject to availability of funds. The funds used to purchase the 80% will be a blend of SSBCI funds and private capital. The 20% held by the originating CDFI or MDI will share in losses with the 80% held by the SPV. The Fund Manager must obtain matching private capital for the SPV, which may be in the form of a warehouse line from a bank or syndicate of banks. Once there are sufficient loan participations in the SPV as determined by the Fund Manager, the Fund Manager shall securitize the loan participations and issue asset-backed Notes to investors. This would ensure that the leverage ratios required by SSBCI are met.

On a monthly basis, the Fund Manager shall require CDFI/MDI to continue to collect the payments from the underlying borrowers, maintain the relationship with the small business owner, and remit payments to the Fund according to the terms of the purchased loan(s).

If a CDFI/MDI submits a loan for purchase that does not align with program eligibility, the Fund Manager shall not purchase the loan. In addition, before any loan purchase transaction, the Fund Manager must submit to NJEDA a completed compliance checklist and supporting documentation evidencing compliance with all SSBCI and NJEDA requirements. Only after review and approval of this documentation by designated NJEDA staff can the Fund purchase the participation in the loan. This can be done in batches several times a month or as necessary. On an ongoing basis, the Fund Manager shall spot audit various loans to ensure compliance with required documentation and criteria. If this audit reveals any discrepancies, the Fund Manager shall notify the CDFI/MDI and require corrective action. If any purchased loan is later found to be ineligible for the loan participation program, the Fund Manager shall require the CDFI/MDI to re-purchase the loan.

This approach, utilizing multiple lenders for a loan participation program design, is intended to be adaptive to lender capacity and scale up/scale down with each lender according to its ability to handle incremental volume. The Fund Manager shall be in charge of allocating available dollars across the participating CDFIs/MDIs based on their lending volume. Some CDFIs/MDIs will be able to do more than others depending on their overall capacity and priorities. Overall, the existing recovery programs have shown the ability for CDFIs/MDIs to drastically increase their lending volumes through the use of new investment officers, technologies, and external technical assistance capacity. This overall concept will still address the need for NJ businesses with limited access to capital and CDFIs/MDIs that can perform at their own pace. This will be a holistic approach to lending to NJ small businesses in a more streamlined and efficient manner.

The following deliverables are the *minimum* requirements of the Fund Manager's performance against the resulting investment contract.

- The Fund Manager shall enter into one or more agreements with the Authority regarding the Authority's investment, which agreement shall be governed by New Jersey law, which shall include at least the 1:1 private capital matching requirement from the Fund Manager.
- The Fund Manager shall provide quarterly financial statements and investment updates in written form within 15 days of the end of each calendar quarter after the award documents are executed. The updates must include detail on companies assisted, including but not limited to industry, business specifics, location, jobs, and additional funding.
- The Fund Manager shall provide, when requested by the Authority, any information on the companies receiving funding and jobs created, as such information will be requested by the federal government. The Fund Manager shall collect certifications from the portfolio companies relative to company name, jobs, and receipt of benefit. Preliminary form documents will be provided by NJEDA soon as possible after signing of the allocation agreement.
- The Fund Manager shall supply certifications to the Authority prior to each loan participation transaction, and such certifications shall be supplied to the U.S. Treasury by NJEDA. Preliminary form documents will be provided by NJEDA as soon as possible after signing of the allocation agreement.
- The Fund Manager shall submit quarterly and annual reports as described above.
- The Fund Manager shall provide to the Authority annual Certified Public Accountant prepared financial statements for the life of the SPV.

The Authority reserves the right to:

- Request other supporting documentation from a respondent to support approval of this investment. All documents submitted by the respondent are non-returnable to the respondent Fund Manager.
- Modify, expand or delete any portion(s) of this description of the Fund Management.
- Conduct interviews with the responding managers.
- Terminate this Notice for any reason.
- Reject any submission in its sole discretion. Incomplete submissions or submissions not received by the due date will result in the submission being deemed nonresponsive and will not be reviewed or considered.

Any firm submitting a response acknowledges that the compliance requirements and regulations listed may not be a complete or final list of the selected Fund Manager's responsibilities. Additional requirements, if any, will be determined once U.S. Treasury awards the SSBCI funds to the State of New Jersey.

If the selected Fund Manager fails to provide the deliverables required in the investment contract with NJEDA, they will be granted a 90-day grace period in which to cure the shortfall(s), after which point management fees will be withheld until deficiencies are corrected as outlined in the award agreement.

## 5. USE OF FUNDS

The Fund Manager shall be responsible to comply with the required guidelines for a loan participation to be eligible to receive SSBCI funds. The Fund Manager shall provide to the Authority a compliance checklist and certification, in the form that the Authority shall provide to the Fund Manager, **before proceeding with any and all loan purchase transactions**. The selected Fund Manager must specify that the intended loan participation is compliant with use of funds and reporting requirements.

To be eligible for purchase by the Fund, the loan must meet the following criteria:

- Loan purchase amount of no more than \$250,000 or 80% of the loan amount, whichever is lower



- Fixed interest rate, no higher than 12%
- Repayment term of 36 to 72 months
- Fully amortizing with fixed monthly payments on an Actual/360 schedule
- No prepayment penalty or fees
- No upfront fees or charges by the originating CDFI or MDI exceeding 2% for loans greater than \$25,000 or \$500 for loans under \$25,000
- No more than \$500 in third-party fees and expenses (such as UCC filing fee, application fees, credit report costs, etc.), which can be capitalized into the loan
- No other fees paid by the small business
- A UCC lien filing is required
- Personal guarantees will be required for individuals that own 20% or more of the small business
- No confessions of judgement
- Applicant has to provide current NJ Tax Clearance Certificate printed in NJ Economic Development Authority's name

Refinancing existing debt made by another lender is allowed as long as:

- The amount of the refinanced loan or other debt is at least 150 percent of the previous outstanding balance;
- The transaction results in a 30 percent reduction in the fee-adjusted APR contracted for the term of the new debt, to help ensure that SSBCI funding is used only for transactions that meaningfully benefit borrowers by providing access to sustainable products;
- Proceeds of the transaction are not used to finance an extraordinary dividend or other distribution; and
- All other eligibility criteria listed above are met.

<b>Required Attestations</b>	
Borrower attestations	<p>Loan applicant must attest that:</p> <ul style="list-style-type: none"> <li>• It does not have an active application with any other participating lender for a loan through the Fund loan participation program</li> <li>• It does not have an active application for and is not receiving loan funding through another SSBCI-funded program, in or outside of New Jersey, for the same purpose</li> <li>• Loan proceeds shall be used for a business purpose as defined in SSBCI guidance, including: <ul style="list-style-type: none"> <li>○ Start-up costs</li> <li>○ Working capital</li> <li>○ Franchise fees</li> <li>○ Acquisition of inventory or services used in the production, manufacturing, or delivery of a business's goods or services. No construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes</li> <li>○ Funds may be used to purchase any tangible or intangible assets except goodwill</li> <li>○ The term "business purpose" excludes acquiring or holding passive investments in real estate, the purchase of securities, and lobbying activities</li> </ul> </li> <li>• No principal of the borrowing entity has been convicted of a "sex offense" against a "minor" (as such terms are defined in section 111 of the Sex Offender</li> </ul>

	<p>Registration and Notification Act (34 U.S.C. § 20911, formerly 42 U.S.C. § 16911)). For purposes of this certification, “principal” is defined as if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association, development company, or other entity, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.</p>
<p>Lender Assurances</p>	<p>Participating lenders must attest that:</p> <ul style="list-style-type: none"> <li>• The SSBCI-supported loan is not being made in order to place under the protection of the approved program prior debt that is not covered under the approved program and that is or was owed by the borrower to the financial institution lender or to an affiliate of the financial institution lender.</li> <li>• If the SSBCI-supported loan is a refinancing, it complies with all applicable SSBCI restrictions and requirements regarding refinancing and new extensions of credit, including that the SSBCI-supported loan is not a refinancing of a loan previously made to the borrower by the financial institution lender or an affiliate of the financial institution lender.</li> <li>• No principal of the financial institution lender has been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (34 U.S.C. § 20911, formerly 42 U.S.C. § 16911)). For the purposes of this certification, “principal” is defined as if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association, development company, or other entity, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.</li> </ul>
<p><b>Borrower Requirements</b></p>	
<p>Eligible Use of Funds</p>	<p>Loan applicant must attest that:</p> <ul style="list-style-type: none"> <li>• It is not using loan proceeds to: <ul style="list-style-type: none"> <li>○ repay delinquent federal or state income taxes unless the borrower has a payment plan in place with the relevant taxing authority</li> <li>○ repay taxes held in trust or escrow</li> <li>○ reimburse funds owed to any owner, including any equity investment or investment of capital for the business’s continuance; or</li> <li>○ purchase any portion of the ownership interest of any owner of the business except for the purchase of an interest in an employee stock ownership plan qualifying under section 401 of the Internal Revenue Code, worker cooperative, or related vehicle, provided that the transaction results in the employee stock ownership plan or other employee-owned entity holding a majority interest (on a fully diluted basis) in the business</li> </ul> </li> <li>• The borrower is not: <ul style="list-style-type: none"> <li>○ An executive officer, director, or principal shareholder of the financial institution lender</li> <li>○ A member of the immediate family of an executive officer, director, or principal shareholder of the financial institution lender</li> <li>○ A related interest or immediate family member of such an executive officer, director, or principal shareholder of the financial institution lender</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ A business engaged in speculative activities that profit from fluctuations in price, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business or through the normal course of trade</li> <li>○ A business that earns more than half of its annual net revenue from lending activities, unless the business is (1) a CDFI that is not a depository institution or a bank holding company, or (2) a Tribal enterprise lender that is not a depository institution or a bank holding company</li> <li>○ A business engaged in pyramid sales, where a participant’s primary incentive is based on the sales made by an ever-increasing number of participants</li> <li>○ A business engaged in activities that are prohibited by federal law or, if permitted by federal law, applicable law in the jurisdiction where the business is located or conducted (this includes businesses that make, sell, service, or distribute products or services used in connection with illegal activity, unless such use can be shown to be completely outside of the business’s intended market); this category of businesses includes direct and indirect marijuana businesses, as defined in SBA Standard Operating Procedure 50 10 6</li> <li>○ A business deriving more than one-third of gross annual revenue from legal gambling activities.</li> </ul>
Charitable permissible borrowers	<p>May include state-designated charitable, religious, or other nonprofit or philanthropic institutions; government-owned corporations; consumer and marketing cooperatives; and faith-based organizations, provided the loan is for a “business purpose” as defined above. Eligible borrowers may also include sole proprietors, independent contractors, worker cooperatives, and other employee-owned entities, as well as Tribal enterprises, provided that all applicable program requirements are satisfied.</p>
Ineligible industries	<p>The following businesses are not eligible, subject to any additional changes and guidance that U.S. Treasury may issue:</p> <ul style="list-style-type: none"> <li>● Firms engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted</li> <li>● Business engaged in speculative activities that develop profits from fluctuations in price, unless those activities are incidental to the regular activities of the business and part of a legitimate risk management strategy to guard against price fluctuations related to the regular activities of the business or through the normal course of trade</li> <li>● Facilities primarily used for gambling or to facilitate gambling</li> <li>● Firms engaged primarily in lobbying activities</li> <li>● Firms engaged in pyramid sales schemes</li> <li>● Passive real estate investments</li> <li>● The conduct or purveyance of "adult" (that is, pornographic, lewd, prurient, obscene, or otherwise similarly disreputable) activities, services, products, or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction, bankruptcy, fire, "lost-our-lease," "going-out-of-business," or similar sale; sales by transient merchants, Christmas tree sales, or other outdoor storage; or any activity constituting a nuisance.</li> </ul>

Time in Business	Loan applicant must have been in business for at least a year prior to the time of application. This will be verified by the lender through either tax returns or a combination of the organization's formation documents and bank statements. Revenue and operating history requirements to be set by each originating lender in their underwriting criteria.
Business size	Loan applicant must have annual revenues of \$10 million or less; this will be verified by the lender using the loan applicant's tax return or bank statements. Loan applicant must have fewer than 50 employees as calculated using the methodology under 13 C.F.R. § 121.106.
Revenue test	Loan applicant must demonstrate ability to repay the loan through previous and/or projected revenues.
Debt eligibility criteria	Loan applicant must have monthly business debt service divided by revenues of under 25% where debt service includes existing and new debt and revenues refers to average monthly sales from a prior period.  OR  Loan applicant must have a debt service coverage ratio (OCF/DS) equal to or greater than 1.15 on a historical or projected basis. Debt service is defined as the future required principal and interest payments on all business debt inclusive of new loan.
<b>Documentation Required</b>	
Documentation required from the Loan Applicant	<ul style="list-style-type: none"> <li>• Schedule of ownership (name, address, SSN (voluntary and requested in compliance with federal law), ITIN, or EITN, percentage ownership, photo ID) for any owners with more than 20% ownership</li> <li>• Most recently filed federal tax returns and/or bank statements, internally prepared financial statements, or other proof of revenue</li> <li>• Evidence of organization's legal formation entity (e.g., articles of incorporation and bylaws, local business licenses)</li> <li>• Copy of lease agreement (if applicable or required by the lender)</li> <li>• Executed Attestation Certificate</li> <li>• Personal guarantee</li> </ul>
Documentation required from the lender to process and submit to the Fund	<p>Borrower documentation</p> <ul style="list-style-type: none"> <li>• Loan and Note Agreement</li> <li>• Evidence of organization's legal formation</li> <li>• Schedule of ownership</li> <li>• File stamped copy of the UCC filing</li> <li>• Executed Attestation Certificate</li> <li>• Personal guarantee</li> <li>• All loan applicants must provide a current NJ Tax Clearance Certificate printed in NJ Economic Development Authority's name</li> <li>• All borrowers must complete required SSBCI certifications and provide them to the lending CDFI/MDI, which must provide borrower certifications and documentation to the Fund Manager.</li> </ul>

	The Fund Manager shall be responsible for reviewing this documentation and completing a transaction compliance checklist to ensure compliance with requirements, and then must submit the checklist and accompanying documentation to NJEDA before each transaction is funded. NJEDA will review and determine whether the Fund Manager can proceed with the loan participation purchase.
<b>Other Requirements</b>	
Criteria for small business owners	The following shall be required of all owners with greater than 20% ownership in a business seeking a loan: <ul style="list-style-type: none"> <li>• Personal guarantee</li> <li>• Credit check</li> <li>• Signature on closing documents</li> <li>• No active bankruptcies</li> <li>• No repossessions or foreclosures in the past 36 months</li> <li>• No outstanding tax liens or judgements over \$10,000 within the last 10 years unless there is an active payment plan</li> </ul> Credit score and any additional credit criteria to be included in the underwriting criteria of each participating CDFI/MDI
Loan applicant demographic data	The following will be collected during the pre-application on a voluntary basis: <ul style="list-style-type: none"> <li>• Race and ethnicity</li> <li>• Gender identity</li> <li>• Veteran status</li> <li>• LGBTQ identity</li> <li>• Disability identity</li> </ul> The CDFI/MDI shall administer an additional demographic questionnaire required by SSBCI, including Socially and Economically Disadvantaged Individual status.

**6. FUND MANAGER QUALIFICATIONS & ELIGIBILITY**

This Notice is a competitive opportunity. All interested fund managers **must** provide their submissions by 5pm ET on Thursday, March 16, 2023 in order to be considered. You **must** submit your submission in PDF format to SSBCI\_info@njeda.com. Only electronic submissions will be accepted.

Furthermore, you **must** adhere to the following guidelines:

- a. Include a cover page with preparer’s contact information.
- b. Include a table of contents that lists all of the required evaluation criteria in Section 7.
- c. **Must** address each of the evaluation criteria.
- d. **Must** submit all requested information denoted with a “**must**” or “**shall**”.

Respondents to this notice must fully answer the attached Due Diligence Questions (See Appendix A). To be eligible for evaluation and potential selection, respondents must demonstrate:

- experience implementing a similar model for or in partnership with at least one other state,
- experience and/or familiarity with the compliance and reporting standards mandated by SSBCI; and
- an ability to leverage the allocated public funds for additional private capital to achieve at least a public/private ratio of 1:1 at the fund level.

Responses will be scored against the NJEDA scoring matrix. The matrix measures, among multiple factors, the respondents' experience, capacity, and skills, and will rank the respondents against those criteria. The criteria and weights are listed in Section 7.

After scoring is complete, the Authority shall determine, in its sole discretion, whether to proceed with the proposed investment and Fund with the respondent with the highest-scoring submission. If the Authority determines to proceed, such respondent shall be required to complete a NJEDA legal debarment questionnaire and other NJEDA and State compliance documentation.

The respondent with the highest-scoring submission shall also be expected to draft investment agreements to reflect NJEDA's investment. Those agreements shall include provisions required by State law and policy, including, but not limited to:

- The Fund Manager shall indemnify NJEDA (except for investment losses) and provide insurance as NJEDA may request
- NJEDA shall not indemnify the Fund Manager
- No transfers or assignments without NJEDA consent
- All Fund assets must be transferred to NJEDA upon dissolution
- Standard New Jersey State Conflict of Interest provision
- The Fund Manager shall be subject to applicable political contribution disclosure requirements, which may include N.J.S.A. 19:44A-20.27 (L. 2005, c. 271)
- Records must be retained the greater of 5 years after the end of the Fund or the period required by federal law, and NJEDA and the New Jersey Office of the State Comptroller shall have the right to audit all records held by the Fund Manager related to the Fund
- All agreements are subject to the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq., and the New Jersey Contractual Liabilities Act, N.J.S.A. 59:13-1 et seq.

## **7. EVALUATION PROCESS/SCORING CRITERIA**

Submissions will be evaluated by a cross-organizational Evaluation Committee composed of NJEDA staff and management, to evaluate, score, and rank submissions. Scores will be averaged to determine an overall score for each submission.

Below are the evaluation criteria for the Blended Capital Fund manager. Evaluation will also consider any named third-party entities with which the Fund Manager will contract. Any submission that does not meet the minimum for each criterion will not be scored and ranked. Each criterion is equally weighted. Specific questions to be answered that pertain to each criterion are in Appendix A.

### **1. Experience of Leadership**

Considers senior leadership's length of experience as fund manager working with CDFIs and MDIs leveraging private capital as detailed in their submission.

0 = 0-2 years of experience as fund manager working with CDFIs/MDIs

1 = Minimal (2-4 years) experience as fund manager working with CDFIs/MDIs

2 = Some (4-8 years) experience as fund manager working with CDFIs/MDIs

3 = Exceptional (8-10 years) experience as fund manager working with CDFIs/MDIs

4 = Unique (10+ years) experience as fund manager working with CDFIs/MDIs

## **2. Depth of Resource**

Considers number of fund management professionals, support/back-office staff, professional network, ability to effectuate strategy and ensure SSBCI compliance as detailed in their submission.

0 = Fund manager is still in formation with unspecified resources

1 = Internal resources are insufficient for the scope of work, including SSBCI compliance

2 = Internal resources are undersized relative to the scope of work, including SSBCI compliance

3 = Internal resources are right sized for the scope of work, including SSBCI compliance

4 = Internal resources are more than sufficient to achieve the scope of work in addition to current activities, including SSBCI compliance

## **3. Sourcing/Pipeline Development**

Considers fund manager's ability to source and screen eligible borrowers and connect them with participating CDFIs/MDIs as detailed in their submission.

0 = No demonstrated ability to set up and maintain a technology platform to screen potential borrowers and connect them with participating CDFIs/MDIs

1 = Minimal demonstrated ability to set up and maintain a technology platform to screen potential borrowers and connect them with participating CDFIs/MDIs

2 = Some demonstrated ability to set up and maintain a technology platform to screen a moderate volume of potential borrowers and connect them with participating CDFIs/MDIs

3 = Exceptional ability to set up and maintain a technology platform to screen potential borrowers and connect them with participating CDFIs/MDIs

4 = Unique ability to set up and maintain a technology platform to screen potential borrowers and connect them with participating CDFIs/MDIs

## **4. State Partnership Experience**

Considers Fund Manager's past experience working on similar state models as detailed in their submission.

0 = Minimal state partnership experience, i.e., fund manager has worked with 1 state

1 = Low state partnership experience, i.e., fund manager has worked with 2 states

2 = Moderate state partnership experience, i.e., fund manager has worked with 3 states

3 = High state partnership experience, i.e., fund manager has worked with 4 states

4 = Exceptional state partnership experience, i.e., fund manager has worked with 5 or more states

## **5. Management Fees, Other Fees and Expenses**

Considers whether fees charged are comparable to industry and appropriately matched to fund manager's ability to effectuate strategy.

0 = No ability to effectuate strategy with high fees and expenses

1 = Minimal ability to effectuate strategy with high fees and expenses

2 = Moderate ability to effectuate strategy with reasonable fees and expenses

3 = High ability to effectuate strategy with reasonable fees and expenses

4 = Exceptional ability to effectuate strategy with reasonable fees and expenses

## **6. Leveraging Private Capital**

Considers fund manager's ability to raise and contribute funds from private capital (from private individuals and institutions) to meet or exceed the SSBCI 1:1 matching requirement at the fund level as detailed in their submission.

- 0 = Experience leveraging at least \$100 million in private capital across one or more funds
- 1 = Experience leveraging at least \$125 million in private capital across one or more funds
- 2 = Experience leveraging at least \$150 million in private capital across one or more funds
- 3 = Experience leveraging at least \$175 million in private capital across one or more funds
- 4 = Experience leveraging at least \$200 million in private capital across one or more funds

**7. Private Capital Match**

Considers the private capital matching ratio that the fund manager commits to raise as detailed in their submission.

- 0 = Fund manager commits to 1:1 match of private capital to SSBCI capital, for total fund size of \$100 million
- 1 = Fund manager commits to 1.125:1 match of private capital to SSBCI capital, for total fund size of \$106.25 million
- 2 = Fund manager commits to 1.25:1 match of private capital to SSBCI capital, for total fund size of \$112.5 million
- 3 = Fund manager commits to 1.375:1 match of private capital to SSBCI capital, for total fund size of \$118.75 million
- 4 = Fund manager commits to 1.5:1 match of private capital to SSBCI capital, for total fund size of \$125 million

**8. Diversity**

Considers availability of fund manager's clearly articulated Diversity Equity & Inclusion policy, specifying the collection of relevant diversity metrics internally, and Code of Conduct addressing harassment and discrimination, as detailed in their submission. Also considers engagement with organizations that promote the attraction and retention of women and minorities within community lending.

- 0 = No defined DE&I policy or Code of Conduct
- 1 = Minimal defined DE&I policy and/or Code of Conduct
- 2 = Some defined DE&I policy, specifying the collection of some internal diversity metrics, and defined Code of Conduct
- 3 = Exceptional defined DE&I policy, specifying the collection of relevant internal diversity metrics, and defined Code of Conduct
- 4 = Uniquely defined DE&I policy, specifying the collection of relevant internal diversity metrics, defined Code of Conduct, and engagement with organizations that promote the attraction and retention of women and minorities within community lending

**APPENDIX A**



Respondents to this notice are required to submit detailed responses to these questions, which give insight into the prospective managers' structure and policies. Respondents must indicate if any questions are not applicable. Responses may also include any named third-party entities with which the fund manager will contract.

## **1.0 Respondent Firm: General Information**

- 1.1. Provide a brief overview of Respondent, including information on the founding, subsequent history and information on any predecessor firm and/or parent firm.
- 1.2. Provide an overview (including chart) of the ownership structure of Respondent and any parent organization. Include details on the timing and rationale for each significant ownership change. Include percentage ownership, ownership vesting schedules, and any changes in ownership over the last 10 years as well as any future anticipated ownership changes and vesting schedules.
- 1.3. Provide brief bios for each member of Respondent. Indicate any involvement by members of the management team in any community or business organizations active in New Jersey as well as any SSBCI personnel or professional connections.
- 1.4. Provide an overview (including chart) of the management/organizational structure of Respondent, including key back-office personnel. Discuss Respondent's succession plans.
- 1.5. Provide an overview of all lending, loan participation, investing, advisory or other business activities performed by Respondent. If Respondent entered into any joint ventures with another manager, describe the structure, governance and economics of the relationship.

## **2.0 Experience**

- 2.1. Describe Respondent's experience establishing and/or managing loan participation funds designed to leverage community lending infrastructure to support small businesses.
- 2.2. Describe key differences between Respondent's previous or current loan participation funds, if any, and the Blended Capital Fund model described above, including private capital matching ratio, participation percentage, loan terms, portfolio composition, etc.
- 2.3. Describe the performance of any previous or current loan participation funds, including default rate, private capital leverage, and income from securitizing debt.
- 2.4. Describe Respondent's experience partnering with community lenders, including Community Development Financial Institutions and Minority Depository Institutions, particularly any that lend to New Jersey-based businesses.
- 2.5. Discuss your experience in New Jersey's community lending ecosystem.
- 2.6. Detail Respondent's ability and capability in attracting additional private capital to the Fund. Detail the amount of private capital leveraged in previous or current fund programs. List any current investor/funder relationships (if available, the names and contact details) that you are confident could commit capital to the Blended Capital Fund. Have they invested in any previous funds managed by the Respondent?
- 2.7. Describe the background and experience of Respondent's owners and/or managers in leveraging private capital to support similar models for other state entities.
- 2.8. Describe Respondent's experience working with other state entities on programs similar to the Blended Capital Fund.

2.9. Describe Respondent's experience and familiarity with SSBCI, including compliance and reporting requirements.

### **3.0 Strategy**

3.1. Summarize Respondent's strategy and types of eligible loan participation transactions Respondent will pursue. Include details on anticipated transaction sizes (including averages, minimum, maximum), pace, and other relevant characteristics.

3.2. Discuss Respondent's ability to manage a fund of the targeted size (at least \$100 million) and to deploy funds into loan participations for eligible NJ-based small businesses.

3.3. Describe the background and evolution of Respondent's strategy, including strategies that do not apply to this Fund. Discuss how the NJ Blended Capital Fund strategy compares to Respondent's previous (if applicable) and current fund(s).

3.4. Describe Respondent's ability to invest the capital in small businesses located in NJ. What percentage of current portfolio companies are located in NJ?

3.5. Describe Respondent's plan to raise awareness of the program among NJ small businesses and to connect interested small businesses with potential lenders.

3.6. Describe and list Respondent's direct competitors. What is Respondent's competitive advantage?

3.7. What are possible drivers that determine the percentage of a given loan participation that Respondent would purchase through the Fund?

### **4.0 Process**

4.1. Describe Respondent's capabilities to identify potential borrowers, screen them for eligibility, and match them with qualified community lenders. How are these processes staffed, conducted and documented?

4.2. Describe Respondent's capabilities to screen potential loan purchases for compliance with SSBCI and NJEDA requirements, as described above and in SSBCI materials. How are these processes staffed, conducted, and documented? How are compliance issues handled if found?

4.3. Describe Respondent's capabilities and plan to stand up the Blended Capital Fund in order to meet the U.S. Treasury requirement that within 90 days of signing the SSBCI allocation agreement, SSBCI programs be fully positioned to provide the kind of credit support they were established to provide. This may include but is not limited to producing form agreements and legal documents and establishing policies and procedures for the operation of the Blended Capital Fund.

4.3. Describe any functions performed by third parties in the sourcing, screening and lender matching processes or other aspects of Fund operations. Describe Respondent's decision-making process for determining if a third party is used/not used. If any third parties have already been identified, describe their qualifications and experience.

4.4. Describe Respondent's proposed fee structure for participating CDFIs/MDIs, including origination fees or other fees paid to the CDFIs/MDIs.

4.5. Provide details on Respondent's internal decision-making and approval process.

4.6. Discuss Respondent's policy and process for monitoring its portfolio of loan participations.

4.7. Describe Respondent's processes for protecting against fraud and corruption, post-loan-participation. If applicable, discuss any fraud and/or corruption that were detected in prior loan participations. Describe Respondent's process to resolve problems, noncompliance, etc.

## **5.0 Reporting**

5.1. Provide the name, address, and email of the audit firm(s), along with a contact's name and email address, that you have used for Respondent (plus the Firm's owners and/or managers) and its fund(s) over the last 3 years. Also discuss if the audit firm(s) is affiliated with Respondent or any of its current or former owners and/or managers.

5.2. Discuss Respondent's standard investor reporting package and confirm if it will meet SSBCI reporting requirements. Please provide examples of your reporting packages.

5.3. Discuss Respondent's familiarity and experience with SSBCI and/or other federal reporting requirements.

## **6.0 Fund Management**

6.1. Provide an overview of the individuals that would be involved in managing the Fund, including the shared work history of Respondent's owners and managers. Also, provide a description of each job title, detailing the responsibilities held by junior, mid-level and senior staff.

6.2. Detail the background and experience of the Respondent's owners and managers in small business/community lending or related work.

6.3. Describe any organizations, associations, groups or clubs that any of the members of the proposed individual fund managers are involved in that will help facilitate a pipeline of New Jersey small business borrowers.

6.4. Discuss Respondent's approach to staff retention and training. Discuss Respondent's historical experience in this area. Discuss any promotions that took place over the last year and any that are expected to happen in the next six months.

6.5. Describe any known conditions (health, financial, litigation, personal, etc.) of any of Respondent's owners and managers that might influence their ability to execute their duties to Respondent. Are there any known conditions affecting the firm (litigation, financial difficulties, etc.)?

6.6. Describe any significant staff departures (partner in Respondent or director-level employee (or higher) with more than five years of history with the Firm) over the past five (5) years.

6.7. Describe any significant staff departures (as noted above) that are expected to occur between now and the end of the Fund period.

## **7.0 Fees**

7.1. Describe the fee structure Respondent has used for any previous or current loan participation funds, including fees covered by program income. Description must include any one-time fees, such as fees for establishing the SPV and leveraging private capital, legal services, marketing, onboarding and training CDFIs/MDIs, creating and administering a technology platform directly or through a partner to source and direct leads, as well as any ongoing fees per loan and/or for servicing of loans, fund administering of loans, and any other fee that may be necessary to set up and administer this fund effectively.

## **8.0 Diversity and Inclusion**

- 8.1. Detail Respondent's previous experience ensuring that state-run funds are used fairly and equitably and to businesses representative of the corresponding state's diversity.
- 8.2. Detail Respondent's formal Diversity, Equity, and Inclusion ("DE&I") policy or initiative. Has the Respondent been successful in implementing DE&I policies? If not, please provide details.
- 8.3. Detail Respondent's Code of Conduct that covers harassment, discrimination and/or workplace violence.
- 8.4. Have there been any claims of sexual or general harassment, misconduct or discrimination against any current or former Respondent employees (while employed by Respondent) within the last 5 years? Please explain.
- 8.5. Does Respondent work with organizations that promote the attraction and retention of women and minorities within community lending? If "yes", provide a list of these organizations, as well as any additional programs you have embraced. SSBCI data definition identifies ethnic minorities as the following: Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and Sub Continent Asian Americans.

## **9.0 ESG (Environmental, Social, Governance)**

- 9.1. Describe the role of Respondent's internal advisory board(s). Detail all matters referred to the advisory board(s), including any currently unresolved matters. Describe any additional governing/advisory bodies that impact the management or investment activity of Respondent (e.g., CEO Circle, operating committee, management affiliate, etc.).
- 9.2. Detail any conflicts of interest (potential, current and historic) within Respondent, and explain how they have been/are identified, managed, disclosed (to LPAC or otherwise) and resolved. Please identify any committees in place to help with the resolution of conflicts (conflict committee, etc.).
- 9.3. Is Respondent a registered investment advisor (RIA)?
- 9.4. What are Respondent's ESG-related policies and how do ESG factors influence Respondent's investment beliefs?
- 9.5. What is the current implementation status of Respondent's responsible investment policy? Does Respondent have any firm plans to develop your approach towards the management of ESG factors?
- 9.6. How does Respondent contribute to portfolio companies' management of ESG-related risks and opportunities?
- 9.7. What monitoring processes would Respondent have in place to assess portfolio companies' management of ESG factors?

## **10.0 Administrative and Legal**

- 10.1. Describe the activities of Respondent's support functions (Finance and Fund Administration, Human Resources, Compliance/Legal, etc.).
- 10.2. Describe Respondent's internal accounting. What accounting principles does Respondent operate under? Has Respondent established an internal audit (IA) function? If so, how often are internal control audits performed? What level in the organization does the IA report to?
- 10.3. Provide an overview of the third parties providing services to Respondent (e.g., law firms, custodians, fund administrators, prime brokers, consultants, banks, etc.). How does Respondent manage counterparty risk related to these third-party arrangements?

10.4. List and describe any software that Respondent uses for business functions like portfolio management, administration, and risk.

10.5. Describe any litigation/investigation against Respondent, its affiliated entities and/or its current or former owners and managers that is pending, ongoing, or closed in the last three years.

### **Appendix B: Due Diligence Checklist**

Examples from SSBCI 1.0 program are located at: <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/ssbci-program-reports>

Respondent must include unless not applicable:

1. Most recent presentation deck.
2. Summary of key terms of the investment agreement for the Fund (e.g. planned ratio of private capital to SSBCI capital, fees paid to originating lenders, fees charged to NJEDA, etc.)
3. Chart: Respondent ownership structure.
4. Chart: Respondent management/organizational structure and biographies.
5. Chart: Proposed legal, organizational, and tax structure for Fund, including a description of any proposed ownership interest in the Fund by Recipient. Any agreements to which Authority is a party must be governed by the laws of New Jersey.
6. Respondent's budget and audited financial statements of fund(s) and holding company.
7. Annual & quarterly reporting packages sent to any partnering state entities for the last 2 years (or through inception if less than 2 years), to the extent possible under agreements with said entities.
8. Reference list (e.g. investors, deal sources, portfolio companies, CDFI/MDI partners, state entities, service providers).
9. NJ tax clearance certificate and NJ Tax ID number.

### **Appendix C: Selected Additional Details of SSBCI Compliance Requirements:**

The Fund Manager selected to create and manage the Blended Capital Fund must adhere to SSBCI compliance requirements and regulations. Below is a partial list of compliance requirements for your review. Program information, including [Capital Program Policy Guidelines](#), [Frequently Asked Questions](#), and [Capital Program Reporting Guidance](#), is available on U.S. Treasury's SSBCI website at <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/ssbci-2021>.

U.S. Treasury may make additional changes or clarifications to these requirements. In addition, the Fund Manager's obligations and responsibilities shall be consistent with and comply with the terms of the allocation agreement signed between U.S. Treasury and the New Jersey Department of the Treasury that will govern the use of the SSBCI funds that NJEDA will invest in the Fund. A [Sample Capital allocation agreement](#) is available on the U.S. Treasury SSBCI website, and exact terms will be shared with the selected manager once the New Jersey allocation agreement is executed. Any firm submitting a response acknowledges that the compliance requirements and regulations listed below may not be a complete or final list of the selected Fund Manager's responsibilities. The Fund Manager shall be responsible for complying with additional and final SSBCI rules and requirements applicable to the Fund when and as issued by the U.S. Treasury. While this list is a guideline, it is not intended to be inclusive. It is the responsibility of the Fund Manager to follow SSBCI's rules, regulations, policies, and other guidance documents.

Investment criteria:

- The borrower must have fewer than 50 employees as calculated using the methodology under 13 C.F.R. § 121.106.
- The borrower must have a physical NJ presence and employ workers in New Jersey.
- Prohibited activities for the investment entity include speculative activity (futures trading, etc.), earning more than 50% of net revenues from lending (unless investee is a CDFI that is not a depository institution or a bank holding company), engaging in pyramid sales, illegal activities, or gambling (33% or more of annual revenue).
- A borrower cannot financially benefit from more than one state approved SSBCI program.
- Principals of the borrower or the originating CDFI/MDI cannot have been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (34 U.S.C. § 20911, formerly 42 U.S.C. § 16911)). For this purpose, “principal” is defined as if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association, development company, or other entity, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.

#### Use of Funds:

- Funds cannot be used to repay delinquent federal or state income taxes or to repay taxes held in trust or escrow.
- The funds may not be used to reimburse funds owed to any owner.
- The funds are not to be used to purchase a portion of the ownership interest.

#### Transaction Requirements:

- Entities receiving federal financial assistance from Treasury may not discriminate on the basis of race, color, national origin (including limited English proficiency), disability, age, or sex (including sexual orientation/gender identity).
- Records of direct and indirect private financing motivated by SSBCI funds must be maintained. The Fund Manager must provide transaction-level information including additional private financing in portfolio companies and subsequent company growth. This information will be shared with U.S. Treasury by NJEDA.
- SSBCI capital must be separately accounted for in all transactions.

#### Fund & NJ Commitments:

- Ratio of private funds to SSBCI funds in the Fund must be at least 1:1, with private investments encouraged to be larger than public investments.
- The Fund Manager must maintain detailed transaction records of the State’s SSBCI funds and matching private capital
- Noncompliance of a loan participation must be addressed immediately by the Fund Manager. The Fund Manager must notify the Authority of the noncompliance and the actions taken to resolve the compliance issue, and the Authority will provide this information to U.S. Treasury.
- The Fund Manager must obtain an assurance from each borrower stating that the loan proceeds will be used for permissible purposes under the SSBCI program.
- A privacy notice and privacy act statement must be provided to borrowers when the Fund Manager or CDFI/MDI collects information from them. A sample of this disclosure is available for review in the SSBCI Capital Program Reporting Guidance, Appendix 2, accessible on the US Treasury’s website <https://home.treasury.gov/system/files/136/SSBCI-Reporting-Guidance.pdf> , as of the date of this notice.

We thank you for your interest in supporting NJ's small business and community-based lending ecosystem.