

**NOTICE OF INVESTMENT OPPORTUNITY**  
**FOR**  
**NEW JERSEY SOCIAL IMPACT INVESTMENT FUND**

**ISSUED BY THE**  
**STATE OF NEW JERSEY**  
**DEPARTMENT OF THE TREASURY**

**KEY DATES**

- Notice of Investment Opportunity Available on: May 21, 2024
- Questions regarding this Notice are due on: Tuesday, June 11, 2024 by 5:00 PM ET via email only to [mona.cartwright@treas.nj.gov](mailto:mona.cartwright@treas.nj.gov) with a cc: to [betsy.davis@treas.nj.gov](mailto:betsy.davis@treas.nj.gov).
- Responses to Notice Due: Friday, July 19, 2024 by 3:00 PM ET via electronic format only to [mona.cartwright@treas.nj.gov](mailto:mona.cartwright@treas.nj.gov) with a cc: to [betsy.davis@treas.nj.gov](mailto:betsy.davis@treas.nj.gov).

## **1. PURPOSE AND BACKGROUND**

This Notice of Investment Opportunity (“Notice”) is issued by the Department of the Treasury (“Treasury”) to obtain investment proposals from capital managers that have demonstrated competency, capacity, and skills to handle an investment from a state and have demonstrated previous capacity to create and manage a Special Purpose Vehicle (“SPV”). The selected capital manager (“Fund Manager”) shall create and manage the Social Impact Investment Fund (“SIIF” or “Fund”) as an SPV to support affordable housing predevelopment loans, development loans for childcare centers, and infrastructure investments in vulnerable New Jersey communities.<sup>1</sup>

The SIIF is inspired by the work of the Public Bank Implementation Board (“PBIB”). This Fund has been seeded with \$20 million from the State of New Jersey’s FY2024 Budget. Treasury seeks to further leverage these funds with private social impact investments. The purpose of the SIIF is to create a flexible and innovative mechanism to deliver below market-rate loans, guarantees, or similar financial tools to advance socially beneficial projects and programs. The Fund will initially focus on expanding the State’s ability to address water infrastructure needs in vulnerable communities and support affordable housing and childcare center development by lending to small for-profit developers and nonprofit organizations developing affordable housing in New Jersey.

Additionally, the Fund Manager should raise private capital funds with at least a 1:1 match to State dollars (that is, a minimum of \$20 million of private capital), through both direct private investment into the fund and co-investment alongside fund activities. The selected Fund Manager will set up, manage, and maintain the Fund, and will be compensated through a combination of upfront setup fees, ongoing asset management fees, and procurement fees on independently raised private capital. Interested capital managers must propose a formal cost structure within these categories in the response to this notice. The loans originated or purchased by the Fund must have a New Jersey location and must meet other eligibility criteria described in Section 5. The Fund Manager must be ready to accept the Treasury’s investment and execute a Fund Agreement (defined below) within 90 days of selection.

Treasury intends to commit the SIIF moneys to one Fund Manager. The awarded Fund Manager shall work directly or through various Community Development Financial Institutions (“CDFIs”) and Minority Depository Institutions (“MDIs”) to provide loans to NJ-based developers and nonprofits and with the NJ Infrastructure Bank (“I-Bank”) to fund credit enhancement on I-Bank investments in infrastructure projects in vulnerable communities. The Fund Manager may support CDFI/MDI lending efforts by purchasing eligible loans from CDFI and MDI balance sheets.

The objective of this Notice is to identify one Fund Manager whose expertise will best meet the goals of the SIIF. Treasury reserves the right to reject any and all investment proposals at its discretion, including any investment proposals that may meet the minimum score. In evaluating responses to this Notice and throughout the Fund Manager’s term, Treasury will be assisted by an internal SIIF Advisory Group to include representatives from, at minimum, the NJ Economic Development Authority (“NJEDA”), the New Jersey Housing and Mortgage Finance Agency (“NJHMFA”), and the I-Bank.

The Fund Manager shall establish and manage the SIIF. Management of the Fund shall broadly entail, but not be limited to:

- Creating the Fund SPV;
- Contributing to the Fund capital raised by utilizing its own, or externally raised funds;
- Working directly or with partners to develop and maintain a pipeline of prospective NJ-based

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<sup>1</sup> See Appendix D for definition of vulnerable New Jersey communities.

investible opportunities;

- Managing relationships with CDFIs, MDIs, and the I-Bank, including sourcing new CDFI and MDI origination partners;
- 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 originate, purchase, or guarantee;
- Ensuring the Fund and individual transactions adhere to all program requirements and supplying any requested documentation of such to Treasury; and
- Helping determine, and complying with all Treasury reporting requirements, as dictated in this Notice and SPV incorporation documents for deployment, monitoring, and winddown periods of the Fund.

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.

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

### **A. SPV DESIGN AND SETUP**

The Fund Manager shall establish the Fund as a new SPV specifically for the purposes of the SIIF and shall manage the Fund to originate direct loans, purchase loan participations, make loan guarantees, and originate other investments that meet standardized product criteria (the “Eligible Investments”). The Fund Manager shall advise the SIIF Advisory Group, via Treasury, on the optimal legal and investments structures based on applicable funding sources and uses of funds and will draft legal documents to incorporate the SPV (“Fund Agreement”).

The Fund Manager shall establish the Fund for the purposes of attracting and leveraging State investment with private capital. The Fund Manager should obtain matching private capital for the SPV, which could take the form of:

- Direct debt investment(s) into in the SPV from one or a cohort of banks, impact investors, and others;
- Warehouse line(s) of credit from one, or a cohort of banks, impact investors, and others;
- Co-investment into Eligible Investments in the form of debt, equity, credit enhancement, or grant capital by private investors or philanthropic organizations.

The Fund Manager will be expected to raise additional investment through either direct investment or via established and documented relationships to draw private capital into the Fund or the Fund’s investments. Existing State relationships may be helpful on this as well. The Fund Manager shall propose the capital structure of the SPV that best leverages the Treasury investment to raise additional private capital.

The Fund Manager shall support development of a centralized impact reporting strategy to the SIIF Advisory Group, via Treasury, highlighting both social and financial returns.

### **B. PIPELINE DEVELOPMENT & DILIGENCE**

The Fund Manager along with relevant partners existing relationships shall be responsible for supporting the identification and management of potential investment opportunities for Fund moneys. These activities could include, but are not limited to:

- Working with local municipalities, developers, and relevant partners to identify and cultivate opportunities for infrastructure investment, including helping to evaluate stressed project pro forma financials;
- Working with NJHMFA to identify technical assistance curriculum and certification to support developers seeking pre-development investment;
- Sourcing investment opportunities from local CDFIs/MDIs, non-profits, and other community stakeholders for investment in pre-development affordable housing projects and early childhood education facilities;
- Working with relevant state agencies to ensure that identified investments apply to programs goals and requirements, including evaluation criteria by credit agencies responsible for rating said agencies.

### **C. FUND ADMINISTRATION**

The Fund Manager shall be responsible for administering the Fund and reporting to Treasury. If the Fund Manager contracts with any third-party entities through services contracts or otherwise, it shall ensure that there are no terms that pass through requiring action or inaction on behalf of the State. The Fund Manager shall inform Treasury of any third-party entities in the Fund Manager’s investment proposal if the identity of the third-party entity is known and seeks to have Treasury consider the third-party entity as part of the Fund Manager’s investment proposal. The Fund Manager must obtain Treasury written consent to bring on additional third-party entities or to replace named third-party entities.

After a borrower is approved for a loan or guarantee, the Fund Manager, CDFI/MDIs, or I-Bank will manage the process to close and fund, including collecting any additional transaction-level or business-level data required. The Fund Manager shall only fund investments for which the transaction-level and business-level data required was collected. At the direction of the Fund Manager, the intermediaries will ensure borrower will make payments as required by its promissory note and maintain its relationship with the Fund Manager, CDFI/MDI, or I-Bank throughout the life of the transaction. If originated by a CDFI/MDI, once a loan package is complete, the CDFI/MDI will transfer the loan documentation to the 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). On a monthly basis, the Fund Manager shall require CDFI/MDI to collect the payments from the underlying borrowers, maintain the relationship with the developer, 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. 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 the loan participation program, 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. This overall concept will still address the need for NJ small developers and early childcare center owners 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 developers and early childcare center owners in a more streamlined and efficient manner and at a lower interest rate to the borrower.

The following deliverables are the *minimum* requirements of the Fund Manager's performance to be memorialized in the Fund Agreement.

- The Fund Manager shall enter into one or more agreements with Treasury regarding Treasury's investment, which agreement shall be governed by New Jersey law.
- The Fund Manager shall provide quarterly financial statements and investment updates in written form within 45 days of the end of each calendar quarter after the Fund Agreement is executed. The updates must include detail on borrowers assisted, including but not limited to business specifics, location, jobs, and additional funding.
- The Fund Manager shall advise the SIIF Advisory Group, via Treasury, on appropriate borrower data to collect to demonstrate program impact and will provide, when requested by Treasury, summary information on organizations receiving funding.
- The Fund Manager shall submit quarterly and annual reports as described below.
- The Fund Manager shall provide Treasury with annual Certified Public Accountant-prepared financial statements within the first quarter of the following fiscal year for the life of the Fund Agreement.

Treasury reserves the right to:

- Share reports with the other members of the SIIF Advisory Group as well as Treasury.
- Modify any portion of this description of the Fund Manager.
- Terminate this Notice for any reason.

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.

If the selected Fund Manager fails to provide required deliverables to Treasury, they may 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 and/or other penalties up to and including termination may be imposed, with details to be memorialized in the Fund Agreement.

**D. INFORMATION SECURITY**

The selected Fund Manager shall comply with the applicable federal and industry regulations for receiving any sensitive information associated with the services that the Fund Manager will be providing.

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

Treasury's investment in the Social Impact Investment Fund will consist solely of State monies.

While the Treasury will not review potential SIIF investments individually in advance of funding; the allowable uses of funds and underwriting criteria will be specifically established in advance and codified in fund documentation. Draft requirements are included in Appendix C yet are subject to change in final investment documentation for the SPV. Ensuring that all investments comply with determined investment criteria will be the sole responsibility of the Fund Manager.

A written report for each transaction made by the Fund should be developed and monitored on an ongoing basis. Example reporting shall include, without limitation, details on loan performance and other transaction-specific details for each transaction, including details on the borrower and its owners, if applicable.

#### **A. QUARTERLY REPORTS**

The Fund Manager shall submit quarterly reports to Treasury within 45 days after the end of each quarter. In addition to the report items listed above, the report shall also include the total amount of funds deployed on a quarterly and cumulative basis, the amount of program income generated, and projected impact measurements to be defined collaboratively. The Fund Manager shall also submit quarterly reporting with transaction detail to Treasury.

#### **B. ANNUAL REPORTS**

The Fund Manager shall submit annual reports to Treasury within 90 days of the end of the Fund's Fiscal Year, beginning following its first complete year of operation. These reports must include criteria agreed upon by the Fund Manager and Treasury during design of SPV incorporating documents, including but not necessarily be limited to:

- Reporting transaction-level data for each direct loan, loan participation, and loan guarantee made in the prior calendar year.
- Reporting borrower-specific detail for each transaction:
  - Borrower leadership's demographics
  - Borrower's total employment numbers
- Reporting information on all subsequent private financing or investments received by borrowers that received funds in prior years.
- Reporting a summary of the performance results for all direct loans, loan participations, and loan guarantees made, partially or in full, with funds from the SIIF.

These annual reports must contain transaction-level data, including borrower characteristics, for each direct loan, loan participation, and loan guarantee made with SIIF moneys for that year, and information on all subsequent private financing or investments received by borrowers that received SIIF direct loans, loan participations, and loan guarantees in prior years, as well as a summary of the performance results for all direct loans, loan participations, and loan guarantees made, partially or in full, with SIIF moneys. These reports will form the basis for annual reports made to state legislators on an annual basis.

#### **4. USE OF FUNDS**

The Fund Manager shall be responsible for complying with the required guidelines for direct loans, loan participation purchases, and loan guarantees to be memorialized in the Fund Agreement. The Fund Manager shall provide to Treasury a compliance checklist and certification, in the form that Treasury shall provide to the Fund Manager, before proceeding with any and all direct loan, loan purchase, and loan guarantee transactions. The selected Fund Manager must specify that the intended direct loan, loan participation, loan guarantee, or other investment is compliant with use of funds and reporting requirements.

Designed uses of Fund moneys, as defined in the founding legislation, are as follows:

1. To facilitate the financing of water and transportation infrastructure components of redevelopment projects in financially impaired municipalities. Investments shall be made in the form of cash transfers to project-specific trusts to be used as reserve accounts for jurisdictions receiving investment. Investments will be subject to the terms of an agreement between the SPV and the New Jersey Infrastructure Bank. The agreement shall, at a minimum, set forth the various lien positions and the rights and liabilities of each entity and its impacts on the other creditors. Returns on cash reserve funds from short-term investments will be returned to the SPV as investment return. SIIF funds no longer needed to act as support for the project shall be returned to the SIIF on an amortized basis aligned with the I-Bank investment. Investments shall be approximately \$1M each and leveraged approximately 8:1 by I-Bank and other funds.
2. To provide predevelopment loans, to emerging and underserved affordable housing developers that are seeking to participate in Low Income Housing Tax Credit supported development to improve equity in the multifamily housing space. The Fund Manager shall work with NJHMFA to identify a predevelopment education, technical assistance, and selection program for relevant developers. Those developers that demonstrate individual capacity, necessary capitalization, and skills required to successfully navigate site development will be eligible for investment. Site control should be a requirement for program participation, with loan proceeds of up to roughly \$1 million used to support pre-development expenses exclusive of site acquisition. Investments shall take the form of direct loans or loan participations in loans to developers from CDFIs or MDIs with a blended below market interest rate (3-5% rate). Loan duration should bridge to permanent financing, approximately 3 years on average, but up to 5 years.
3. To provide loans that support the operations, construction, and maintenance of early childhood education facilities, for children aged zero through five, in financially impaired municipalities. Fund Manager shall work with the Division of Early Childhood Education in the Department of Education to identify funding programs and technical assistance providers to partner with to deploy loans funding working capital, facilities improvements, and development of new early childhood education facilities. Investments shall take the form of direct loans or loan participations to early childhood education providers or construction developers from CDFIs and MDIs. Product terms will vary, and the Fund Manager shall help prioritize funding to impactful opportunities in New Jersey.

Allocation of SPV funds across these three investment areas will not be set, and it will be up to the Fund Manager to support Treasury in determining a strategy to prioritize allocation of funding across programs to raise additional private funds, expedite capital deployment, and demonstrate impact of state funds. Additional program-specific and borrower requirements can be found in Appendix D.



## 5. FUND MANAGER QUALIFICATIONS, ELIGIBILITY AND SUBMISSION OF INVESTMENT PROPOSALS

This Notice is a competitive opportunity for capital managers to submit investment proposals for consideration by Treasury.

### A. QUESTIONS and ANSWERS

Questions concerning this notice may be submitted in writing via e-mail to [mona.cartwright@treas.nj.gov](mailto:mona.cartwright@treas.nj.gov) with a cc: to [betsy.davis@treas.nj.gov](mailto:betsy.davis@treas.nj.gov) and must be received at or before 5:00 PM ET on June 11, 2024. Phone calls/faxes shall not be accepted.

All answers to the questions submitted within the required timeline for this notice will be posted to the following Treasury websites as soon as available, but in no event later than June 28, 2024: <https://www.nj.gov/treasury/> and <https://www.nj.gov/treasury/omb/>

### B. PROPOSAL SUBMISSION

All interested capital managers **must** provide their investment proposals by 3:00 PM ET on July 19, 2024 in order to be considered.

You **must** submit your investment proposals in PDF format to [mona.cartwright@treas.nj.gov](mailto:mona.cartwright@treas.nj.gov) with a cc: to [betsy.davis@treas.nj.gov](mailto:betsy.davis@treas.nj.gov). Only electronic investment proposals will be accepted. The subject line of the e-mail must state: "Social Impact Investment Fund Proposal."

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

- Include a cover page with preparer's contact information.
- Include a table of contents that lists all of the required evaluation criteria in Section 7.
- **Must** address each of the evaluation criteria.
- **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 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 Treasury 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, Treasury shall determine, in its sole discretion but in collaboration with the Evaluation Committee, whether to proceed with the proposed investment and Fund with the respondent with the highest-scoring investment proposal. If Treasury determines to proceed, such respondent shall be required to complete a Treasury legal debarment questionnaire and other Treasury and State compliance documentation.

The respondent with the highest-scoring investment proposal shall also be expected to draft investment agreements to reflect Treasury's investment. Those agreements shall include provisions required by State law and policy, including, but not limited to, acceptance of all terms and conditions outlined in the Notice:

- The Fund Manager shall indemnify Treasury (except for investment losses) and provide insurance as Treasury as outlined in Appendix E;
- Treasury shall not indemnify the Fund Manager;

- No transfers or assignments without Treasury consent;
- All Fund assets must be transferred to Treasury 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 Treasury 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.

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.

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

Investment proposals will be evaluated by a cross-organizational Evaluation Committee composed of Treasury staff and management as well as members of the SIIF Advisory Group to evaluate, score, and rank investment proposals. Scores will be averaged to determine an overall score for each investment proposal.

Below are the evaluation criteria for the Fund Manager. Evaluation will also consider any named third-party entities with which the Fund Manager will contract. Any investment proposal that does not meet the minimum for each criterion will not be scored and ranked. Each criterion is equally weighted unless noted otherwise.

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 and state agencies leveraging private capital as detailed in their investment proposal.

### **2. Depth of Resource**

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

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

Community Development fund manager's ability to source and screen eligible borrowers directly and indirectly through participating CDFIs/MDIs as detailed in their investment proposal.

### **4. Sourcing/Pipeline Development**

New Jersey Considers Fund Manager's experience with local New Jersey organization or track record of working within the New Jersey community development market.

### **5. State Partnership Experience**

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

### **6. 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.

### **7. Private Capital Match**

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

### **8. Racial Equity Focus**

Considers a Fund Manager's express mission focus or investment lens on racial equity, including support for BIPOC-owned developers and small businesses, and expertise in overcoming structural barriers and establishing mechanisms that build to racially equitable outcomes.

### **9. 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 investment proposal. Also considers

engagement with organizations that promote the attraction and retention of women and minorities within community lending.

Note that Treasury 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.
- Conduct interviews with the responding managers.
- Reject any investment proposal in its sole discretion. Incomplete investment proposals or investment proposals not received by the due date will result in the investment proposal being deemed nonresponsive and will not be reviewed or considered.

## 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. Provide a brief overview of Respondent, including information on the founding, subsequent history and information on any predecessor firm and/or parent firm.
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.
3. Provide brief bios for each managing member of Respondent. Indicate any involvement by members of the management team in any community or business organizations active in New Jersey.
4. Provide an overview (including chart) of the management/organizational structure of Respondent, including key back-office personnel. Discuss Respondent's succession plans.
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

1. Describe Respondent's experience establishing and/or managing direct lending, loan participation, and loan guarantee funds designed to leverage community lending infrastructure to support small developers and vulnerable communities.
2. Describe key differences between Respondent's previous or current direct lending, loan participation, and loan guarantee funds, if any, and the SIIF model described above, including private capital matching ratio, participation percentage, loan terms, portfolio composition, etc.
3. Describe the performance of any previous or current direct loan, loan participation, and loan guarantee funds, including default rate, private capital leverage, and income from securitizing debt.
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 and developers. Describe Respondent's experience partnering with State agencies, particularly any that lend to New Jersey vulnerable communities.
5. Discuss your experience in New Jersey's community lending ecosystem.
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 SIIF. Have they invested in any previous funds managed by the Respondent?
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.
8. Describe Respondent's experience working with other state entities on programs similar to the SIIF.

### 3.0 Strategy

1. Summarize Respondent's strategy and types of eligible direct loan, loan participation, and

- loan guarantee transactions Respondent will pursue. Include details on anticipated transaction sizes (including averages, minimum, maximum), pace, and other relevant characteristics.
2. Discuss Respondent's ability to manage a fund of the targeted size (at least \$40 million) and to deploy funds into eligible direct loans, loan participations, and loan guarantees.
  3. Describe the background and evolution of Respondent's strategy, including strategies that do not apply to this Fund. Discuss how the NJ SIIF strategy compares to Respondent's previous (if applicable) and current fund(s).
  4. Describe Respondent's ability to invest the capital in small developers and vulnerable communities located in NJ. What percentage of current portfolio companies are located in NJ?
  5. Describe Respondent's plan to raise awareness of the program among NJ small developers and to connect interested small developers with potential lenders.

#### **4.0 Process**

1. Describe Respondent's capabilities to identify potential borrowers and screen them for eligibility. How are these processes staffed, conducted and documented?
2. Describe Respondent's capabilities to screen potential direct loans, loan purchases, and loan guarantees for compliance with Treasury requirements, as described above. How are these processes staffed, conducted, and documented? How are compliance issues handled if found?
3. Describe Respondent's capabilities and plan to stand up the SIIF within 90 days of signing allocation fund management agreement with Treasury. This may include but is not limited to producing form agreements and legal documents and establishing policies and procedures for the operation of the SIIF.
4. Describe any functions performed by third parties in the sourcing, screening, and underwriting 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.
5. Describe Respondent's proposed fee structure for participating CDFIs/MDIs, including origination fees or other fees paid to the CDFIs/MDIs.
6. Provide details on Respondent's internal decision-making and approval process.
7. Discuss Respondent's policy and process for monitoring its portfolio of direct loans, loan participations, and loan guarantees.
8. 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 direct loan, loan participation, and loan guarantee programs. Describe Respondent's process to resolve problems, noncompliance, etc.

#### **5.0 Reporting**

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

#### **6.0 Fund Management**

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

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.
5. Describe any known conditions (financial, litigation, 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. 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.
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**

1. Describe the fee structure Respondent has used for any previous or current direct loan, loan participation, and loan guarantee 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**

1. Detail Respondent's previous experience ensuring that state-run funds are used fairly and equitably and to organizations representative of the corresponding state's diversity.
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.
3. Detail Respondent's Code of Conduct that covers harassment, discrimination and/or workplace violence.
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.

## **9.0 Administrative and Legal**

1. Describe the activities of Respondent's support functions (Finance and Fund Administration, Human Resources, Compliance/Legal, etc.).
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?
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?
4. List and describe any software that Respondent uses for business functions like portfolio management, administration, and risk.
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**

Respondent must include unless not applicable:

1. Most recent overview marketing materials or presentation deck.
2. Summary of key terms of the investment agreement for the Fund (e.g. planned ratio of private capital to State capital, fees paid to originating lenders, fees charged to Treasury, 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 Treasury 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**

### **Draft Compliance Requirements**

Any capital manager 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 Treasury rules and requirements applicable to the Fund when and as issued by Treasury. While this list is a guideline, it is not intended to be inclusive.

#### Investment Criteria:

1. The borrower must have a physical NJ presence.
2. Prohibited activities for the investment entity include speculative activity (futures trading, etc.), earning more than 50% of net revenues from lending, engaging in pyramid sales, illegal activities, or gambling (33% or more of annual revenue).

#### Use of Funds:

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

#### Requirements:

1. Entities receiving 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).
2. Records of direct and indirect private financing motivated by the SIIF investments must be maintained. The Fund Manager must provide transaction-level information including additional private financing in portfolio companies and subsequent company growth.
3. Fund capital must be separately accounted for in all transactions. Fund & NJ Commitments:
4. Ratio of private funds to State funds in the Fund must be at least 1:1, with private investments encouraged to be larger than public investments.
5. The Fund Manager must maintain detailed transaction records of the State's funds and matching private capital.
6. Noncompliance of a direct loan, loan participation, or loan guarantee must be addressed immediately by the Fund Manager. The Fund Manager must notify Treasury of the noncompliance and the actions taken to resolve the compliance issue.
7. The Fund Manager must obtain an assurance from each borrower stating that the loan proceeds will be used for permissible purposes under the SIIF.
8. A privacy notice and privacy act statement must be provided to borrowers when the Fund Manager or CDFI/MDI collects information from them.

## **Appendix D**

### **Investment Requirements**

Likely programmatic requirements for allowable uses of funds, to be memorialized in Fund Agreement:

#### **1. Infrastructure Transactions**

1. Borrower of I-Bank funds must be local government units or private water purveyors; these sponsors in turn create side agreements with relevant services provider(s) and redeveloper(s).
2. Beneficiaries of these funds must be vulnerable communities, defined as those local government units that do not meet I-Bank's credit worthy requirements at the time of loan origination. These include as of May 2024: the City of Atlantic City, the City of Newark, the City of Paterson, the City of Salem, the City of Trenton, the City of Union, the Township of Irvington, and the Township of Weehawken.
3. City or county sponsor must provide a general obligation pledge as a part of loan agreements, which would leverage SIIF credit enhancement to meet credit worthiness requirements.
4. Projects must be located in a designated brownfields development area, transit village, transfer development rights receiving area, growth area endorsed by the State Planning Commission, or otherwise consistent with the "Garden State Values" provisions of the State Strategic Plan.
5. Funding can be used for the portion of redevelopment projects that improves, rehabilitates, or protects water quality. Allowable redevelopment costs include demolition, sheeting, capping, surcharges, and other engineering controls that have a direct water quality benefit.

#### **2. Affordable Housing Developers**

1. Applicants must have had equity participation in no less than 3 other deals with multiple units, comprising of at least 25 total units.
2. Applicants must not have previously been the primary developer or majority development partner in a funded LIHTC development project.
3. Applicants must contract with a reputable GC that has multi-family real estate development and/or ownership experience.
4. Applicants must meet the NJHMFA UNIAP standard for site control for the proposed project.
5. Applicants shall be supported by an approved tax credit consultant that has prior LIHTC multi-family experience in New Jersey.
6. Applicants must have current New Jersey Minority/Woman Owner Business Enterprise ("MWBE") certification.
7. Applicant must have majority ownership in a MWBE development firm, which shall be the sole general partner in the proposed project.
8. Applicant must complete an approved Technical Assistance or Training Program to support their development efforts in the proposed project unless they can demonstrate to the Program's satisfaction that their prior education and experience with LIHTC projects is sufficient that they would not benefit from the program's curriculum.

#### **3. Early Childhood Education Facilities**

1. Applicants must be licensed by New Jersey Department of Children and Families (NJCDF).
2. Applicants must enroll or plan to enroll at least one (1) child receiving support through the New Jersey Department of Human Services (NJ DHS) Child Care Assistance Program.
3. Applicants may be for-profit businesses or non-profit organizations.
4. Applicants may own or lease space.
5. Applicants must be in good standing with the New Jersey Departments of Labor and Workforce Development, Environmental Protection, NJCDF, and NJ DHS.
6. Applicants not currently enrolled in NJ DHS' Grow NJ Kinds (GNJK) quality rating system must commit to enroll within one (1) of receiving funding.
7. Those receiving funding must commit to maintaining their licensure with DCF to provide

childcare for four (4) years following receipt of funding.

4. General Requirements and Attestations

<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> </ul>
Lender Assurances	<p>The originating lender(s) must attest that:</p> <ul style="list-style-type: none"> <li>• The Fund-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 lender or to an affiliate of the lender.</li> <li>• If the Fund-supported loan is a refinancing, it complies with all applicable restrictions and requirements regarding refinancing and new extensions of credit, including that the Fund-supported loan is not a refinancing of a loan previously made to the borrower by the lender or an affiliate of the lender.</li> </ul>

<b>Borrower Requirements</b>	
Eligible Use of Funds	<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, director, or trustee including any equity investment or investment of capital for the borrower’s continuance; or</li> <li>○ purchase any portion of the ownership interest of any owner, director, or trustee of the borrower.</li> </ul> </li> <li>• The borrower is not: <ul style="list-style-type: none"> <li>○ An executive officer, director, trustee, or principal shareholder of the lender</li> <li>○ A member of the immediate family of an executive officer, director, trustee, or principal shareholder of the lender</li> <li>○ A related interest or immediate family member of such an executive officer, director, trustee, or principal shareholder of the lender</li> <li>○ Engaged in speculative activities that profit from fluctuations in price, such as wildcatting for oil and dealing in commodities futures,</li> <li>○ Earns more than half of its annual net revenue from lending activities.</li> <li>○ 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>○ Engaged in activities that are prohibited by federal law or, if permitted by federal law, applicable law in the jurisdiction where the borrower is located or its activities are 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 borrower’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>○ Derives more than one-third of gross annual revenue from legal gambling activities.</li> </ul> </li> </ul>

<b>Borrower Requirements</b>	
Municipal and charitable permissible borrowers	May include municipalities, 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 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.
Ineligible industries	<p>The following borrowers are not eligible:</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.</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> </ul> <p>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.</p>
Time in Business	Small developer and early childhood education facility loan applicants 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 small developer's formation documents and bank statements. Revenue and operating history requirements to be set by each originating lender in their underwriting criteria.
Small developer and early childhood education facility size	<p>Small developer and early childhood education facility loan applicants 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.</p> <p>Small developer and early childhood education facility loan applicants must have fewer than 50 employees as calculated using the methodology under 13 C.F.R. § 121.106.</p>
Revenue test	Loan applicant must demonstrate ability to repay the loan through previous and/or projected revenues.

<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>• Executed Attestation Certificate</li> <li>• Personal guarantee</li> </ul>

<b>Documentation Required</b>	
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>• File stamped copy of the mortgage, if applicable</li> <li>• Executed Attestation Certificate</li> <li>• Personal guarantee, if applicable</li> <li>• All loan applicants must provide a current NJ Tax Clearance Certificate printed in NJ Department of the Treasury’s name.</li> </ul>
	<p>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 Treasury before each transaction is funded. Treasury will review and determine whether the Fund Manager can proceed with the direct loan, loan participation purchase, or loan guarantee.</p>

<b>Other Requirements</b>	
Criteria for small developers and early childhood education facilities	<p>The following shall be required of all owners with greater than 20% ownership in a small developer or an early childhood education facility seeking a loan:</p> <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> <p>Credit score and any additional credit criteria to be included in the underwriting criteria of each participating lender</p>
Loan applicant demographic data	<p>The following will be collected during the pre-application on a voluntary basis from small developers:</p> <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>

## **Appendix E**

### **Insurance Requirements**

#### **INDEMNIFICATION**

The Contractor's liability to the State and its employees in third party suits shall be as follows:

- A. The Contractor shall assume all risk of and responsibility for, and agrees to indemnify, defend, and save harmless the State and its officers, agents, servants and employees, from and against any and all third-party claims, demands, suits, actions, recoveries, judgments and costs and expenses in connection therewith:
  1. For or on account of the loss of life, property or injury or damage to the person, body or property of any person or persons whatsoever, which shall arise from or result directly or indirectly from the work and/or products supplied under this Contract or the order; and
  2. For or on account of the use of any patent, copyright, trademark, trade secret or other proprietary right of any copyrighted or uncopied composition, secret process, patented or unpatented invention, article or appliance ("Intellectual Property Rights") furnished or used in the performance of this Contract; and
  3. The Contractor's indemnification and liability under subsection (A) is not limited by but is in addition to the insurance obligations.
  
- B. In the event of a claim or suit involving third-party Intellectual Property Rights, the Contractor, at its option, may:
  1. procure for the State the legal right to continue the use of the product;
  2. replace or modify the product to provide a non-infringing product that is the functional equivalent; or
  3. in the event that the Contractor cannot do (1) or (2) refund the purchase price less a reasonable allowance for use that is agreed to by both parties.
  
- C. The State will:
  1. promptly notify Contractor in writing of the claim or suit;
  2. Contractor shall have control of the defense and settlement of any claim that is subject to subsection (A); provided; however, that the State must approve any settlement of the alleged claim, which approval shall not be unreasonably withheld. The State may observe the proceedings relating to the alleged claim and confer with the Contractor at its expense.
  
- D. Notwithstanding the foregoing, Contractor has no obligation or liability for any claim or suit concerning third-party Intellectual Property Rights arising from:
  1. the State's unauthorized combination, operation, or use of a product supplied under this Contract with any product, device, or Software not supplied by Contractor;
  2. the State's unauthorized alteration or modification of any product supplied under this Contract;
  3. the Contractor's compliance with the State's designs, specifications, requests, or instructions, provided that if the State provides Contractor with such designs, specifications, requests, or instructions, Contractor reviews same and advises that such designs, specifications, requests or instructions present potential issues of patent or copyright infringement and the State nonetheless directs the Contractor to proceed with one (1) or more designs, specifications, requests or instructions that present potential issues of patent or copyright infringement; or
  4. the State's failure to promptly implement a required update or modification to the product provided by the Contractor.

- E. Contractor will be relieved of its responsibilities under Subsection (A)(1) and (2) for any claims made by an unaffiliated third party that arise solely from the actions or omissions of the State, its officers, employees, or agents.
- F. Subject to the New Jersey Tort Claims Act (N.J.S.A. 59:1-1 et seq.), the New Jersey Contractual Liability Act (N.J.S.A. 59:13-1 et seq.) and the appropriation and availability of funds, the State will be responsible for any cost or damage arising out of actions or inactions of the State, its employees or agents under Subsection 4.1(a)(i) and (ii) which results in an unaffiliated third-party claim. This is Contractor's exclusive remedy for these claims.
- G. This section states the entire obligation of Contractor and its suppliers, and the exclusive remedy of the State, in respect of any infringement or alleged infringement of any Intellectual Property Rights. This indemnity obligation and remedy are given to the State solely for its benefit and in lieu of, and Contractor disclaims, all warranties, conditions and other terms of non-infringement or title with respect to any product; and
- H. Furthermore, neither Contractor nor any attorney engaged by Contractor shall defend the claim in the name of the State of New Jersey or any Authorized Purchaser, nor purport to act as legal representative of the State of New Jersey or any Authorized Purchaser, without having provided notice to the Director of the Division of Law in the Department of Law and Public Safety and to the Director of the Division of Purchase and Property. The State of New Jersey may, at its election and expense, assume its own defense and settlement; and
- I. The State of New Jersey will not indemnify, defend, pay or reimburse for claims or take similar actions on behalf of the Contractor.

#### **PROFESSIONAL LIABILITY INSURANCE**

The Contractor shall carry Errors and Omissions, Professional Liability Insurance, and/or Professional Liability Malpractice Insurance sufficient to protect the Contractor from any liability arising out the professional obligations performed pursuant to the requirements of this Contract. The insurance shall be in the amount of not less than \$1,000,000 or higher if appropriate per each occurrence, and in such policy forms as shall be approved by the State. If the Contractor has claims-made coverage and subsequently changes carriers during the term of this Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance, and/or Professional Malpractice Insurance carrier an endorsement for retroactive coverage.

#### **CYBER BREACH INSURANCE**

Cyber Breach Insurance: The Contractor shall carry Cyber Breach Insurance in sufficient limits to protect the Contractor from any liability arising out of its performance pursuant to the requirements of this Contract. The insurance shall be in an amount of not less than \$2,000,000, and in such policy forms as shall be approved by the State. The insurance shall at a minimum cover the following: Data loss, malware, ransomware and similar breaches to computers, servers and software; Protection against third-party claims; cost of notifying affected parties; cost of providing credit monitoring to affected parties; forensics; cost of public relations consultants; regulatory compliance costs; costs to pursue indemnity rights; costs to Data Breach and Credit Monitoring Services analyze the insured's legal response obligations; costs of defending lawsuits; judgments and settlements; regulatory response costs; costs of responding to regulatory investigations; and costs of settling regulatory claims.

#### **FINANCIAL INSTITUTION BOND**

Financial Institution Bond or equivalent: \$5M limit with maximum retention of \$100,000. Provide coverage against direct financial loss from forgery, cyber fraud, physical loss of or alteration to property, extortion, burglary, robbery, employee dishonesty, and other similar crimes.