Groundbreak Coalition RFPs Questions and Answers

In no particular order, please find the questions and answers below divided into three sections: 1) Related to Both RFPs; 2) Low-cost, Patient Capital Pool; and 3) Guarantee Pool Platform.

Q&A Related to Both RFPs

1. Can both RFPs be awarded to the same applicant?
   - Yes
2. Can a single organization be awarded both RFPs?
   - Yes
3. Any sense as to whether the selection process would consider a single firm to manage both the guarantee and LCPC vehicles?
   - Yes we would consider this.
4. What is the total budget for both RFPs, including both operating costs and fees? The budget for one is provided, but not the other. Could you provide more details, such as if the fees are fixed?
   - There are no firm budgets or set fees. We are looking for applicants to determine the appropriate budget and related costs for the scope of work.
5. Is there an investment committee that the awarded party will need to consult?
   - Yes, the selected Financial Manager(s) will work with a GBC investment committee.
6. Are the operating processes across all stakeholders clear, or will the financial manager be expected to support that work?
   - These processes have yet to be established and the Financial Manager(s) will be expected to support that work.
7. Where is the point of coordination with the grant pool?
   - At minimum, the originators will coordinate with the grant pool for those funds.
8. Both RFPs call for some sort of evaluation. Would it be possible to propose a single evaluation for both efforts?
   - Ultimately GBC will be coordinating a united report that incorporates the results of the different pools.
9. Is a more comprehensive evaluation of interest, or is it beyond the scope of what the team has envisioned for this effort?
   - Beyond the scope.
10. Do we need any specific licenses or certifications to do business in Minnesota?
    - We would ask applicants to determine that for themselves.
11. Will the financial manager be responsible for recourse?
    - No
12. Does the GroundBreak Coalition anticipate hiring separate managers for the Low-Cost, Patient Capital Pool and the Guarantee Pool or is it possible that the same manager could support both pools? Do you have a one-manager or two-manager preference?

    - It could be one or more. There is no preference.

13. Would you be interested in the hired manager also acting as fiscal sponsor to support the pools?
    - Proposers may propose this if they wish to offer this service.
14. Please confirm if the cost of legal counsel for the pool activities will be covered separately understanding that the manager will coordinate any legal efforts required? Or should an estimate for the cost of legal counsel be included with our proposals?
    - GBC will be responsible for the legal costs involved in securing investors and origination partners. Origination partners will be responsible for legal costs associated with the deployment of GroundBreak funds accessed through the pools. The Financial Manager(s)' proposed budget should include any other legal costs believed essential for executing on the contract.
    - We are looking for applicants to determine the appropriate budget and related costs for the scope of work.
15. Will you require a formal impact evaluation report at the end of each pool wind down or at the conclusion of the pool (in addition to annual reporting for each underlying pool)?
    - We are expecting a formal evaluation at the end of each pool winddown in addition to the annual evaluations.
16. Please describe the structure and composition of the Executive Council (referenced in both LCPCP and Guarantee), if known.
    - TBD

Q&A for Financial Management Services for Low Cost Patient Capital Pool

17. What level of decision-making will be at the RFP awardee?
    - The RFP awardee will have very limited program and product design and decision-making authority. Loan Pool awardee will be responsible for monitoring origination partners to ensure compliance with agreed upon lending terms.
18. What type of capital has been raised or identified already? Does the planned $5B of capital over 10 years include debt capital from other lenders that would be leveraged with the Pool Capital? Is there an expected ratio between grant funds vs debt capital coming from lenders?
    - The $5 billion in preliminary commitments over 10 years is expected to include $4 billion in market rate loans from banks; $300 million in guarantees; $550 million in grants, and $400 million in LCPC loans. About $1 billion already has been identified.
19. How would the capital pool meld with the Guarantee pool logistically, particularly if there are different managers for them?
    - The Guarantee Pool is not anticipated to be used to guarantee any of the LCPC pool funds.

   - It is likely that both will be used in the commercial development project. We anticipate that the Guarantee Pool will be used to enhance lending by senior lenders and the LCPC pool to provide reliable, flexible subordinate debt.

20. Would the RFP awardee / fund manager be eligible to also be a lender in the capital pool?
    - Not anticipated
21. For the Low-Cost, Patient Capital Pool: Can organizations apply to manage homeownership resources **only**, and not commercial development? Or must applicants manage both?
    - We would prefer a Financial Manager who could handle both but will entertain proposals to only manage one.
22. Would Financial Managers receive funds to build organizational / staff capacity for managing the Pool?
    - We are looking for applicants to propose the staffing, with the costs associated, required to accomplish the scope.
23. If we propose partnering with subcontractors, must the subcontractors be identified/named at this stage?
    - Yes, please include details of all subcontractors
24. Should the proposed budget cover a typical year of the program, or should it be a comprehensive 10-year budget that includes rising costs / inflation?
    - We would prefer a comprehensive budget with cost of living adjustments built in as appropriate.
25. Have you already designed and developed a fund financial model to present to prospective investors, or will that be the duty of the Financial Manager?
    - Its currently being developed. The Financial Manager would contribute to it.
26. Who is ultimately responsible for legally closing investors into the Fund? GroundBreak or the Financial Manager?
    - The legal relationship will be between investors and GBC.
27. Will there be different classes of lenders/investors within the fund capital structure?
    - It's not anticipated but possible
28. What is the current fund size, target fund size, and how long do you expect it to take to reach it?
    - The target for this year is $100 million and the target for 10 years is $400 million.
29. How many investors do you expect to have?
    - We expect to start with 10-25 investors
30. How many investors do you have now?
    - We do not have signed agreements. We are currently fundraising and part of investor due diligence is on the Financial Manager, which this RFP is to secure.
31. What do you anticipate to be the required rate of return of investors?

  - Homeownership 0%
  - Commercial 2-3%

32. How long will the capital call period be?
    - We expect to raise the required capital in two tranches, over ten years; both with fifteen year terms that include a five year deployment period.
33. When, how often, and for how long do you expect to admit investors into the fund?
    - Multiple closes over the life of the fund
34. How often do you expect capital to be called? Monthly, quarterly, semi-annually?
    - Anticipated to be semi-annually. May change based on the needs of origination partners.
35. Will fund organizational expenses be paid by investors?
    - No, by GBC. All fees and expenses, including Financial Manager fees, are paid by grant funds.
36. Do you have a preference for where bank accounts are held?
    - Yes, we expect to preference institutions participating in GBC.
37. Would you please provide more details on what is expected under "assist" in the context of helping the implementation teams select origination partners? Specifically, what roles and responsibilities will the Financial Manager be expected to fulfill in this capacity?
    - The primary responsibility will be GBC, we would seek advice and support from the Manager.
38. Would it be possible to meet with prospective origination partners before the RFP process is complete?
    - No, they will not have been selected prior to the Financial Manager selection.
39. Are the origination partners vetted/underwritten prior to being onboarded by the GroundBreak Executive Council and development resources or do you expect the Financial Manager to do this?
    - Yes, by GBC. The Financial Manager will not be expected to underwrite them.
40. Does the fund have a legal expense budget?
    - GBC will be responsible for the legal costs involved in securing investors and origination partners. Origination partners will be responsible for legal costs associated with the deployment of GroundBreak funds accessed through the pools. The Financial Manager(s)' proposed budget should include any other legal costs believed essential for executing on the contract.
    - GBC is expecting proposal budgets to include anticipated legal expenses.
41. Would you elaborate on "implement?" Does this mean designing the model, documenting agreements, and monitoring and making adjustments when necessary?" Or following the model that GroundBreak has already established?
    - Following the model that GBC has already established with the understanding that this is an emergent model and all parties will participate in evolving this model over time based on experience.

42. Can an originations partner be affiliated with the Financial Manager if an information barrier is established for investment decision-making?
    - The Financial Manager will be responsible for overseeing and holding the origination partner responsible. GBC would expect a detailed plan as to how this conflict would be appropriately managed in this scenario before proceeding.
43. Do you expect the originators to have delegated authority to make loans that conform with the program guidelines, or do you expect the Financial Manager to underwrite and approve loans?
    - Yes, we expect the originators to have delegated authority to make loans that conform with the program guidelines
44. Who is responsible for making sure originators are doing originations? How active/passive do you expect the Financial Manager to be in motivating them to find loans?
    - The Financial Manager and we expect an active partnership with the Financial Manager in this role.
45. Who is responsible for asset management and potential risk ratings? Do you anticipate an annual review of origination partners?
    - The origination partners will manage their own assets but the Financial Manager would look at the asset management and risk ratings of the origination partners at least annually.
46. Will there be an investment committee, and how often will it meet?
    - There will be an investment committee and we will determine the frequency of meetings as needed.
47. Do you expect disbursements of capital to happen on a batch-basis, or one-by-one?
    - Likely batch
48. Can you give us a sense for the volume of investments made from the fund?
    - We expect about 11,000 home loans and a few hundred commercial loans over 10 years.
49. How long is the investment period? Do you anticipate issuing loans for the entire ten years?
    - Two 5-year investment periods back to back. Asset management is needed over 20 years.
50. Would you provide example details about the commercial development loans?
    - See example in the RFP
51. Will there be periodic interest or principal payments?
    - At the discretion of the originator
52. Will loans be cashflow contingent (unscheduled)?
    - We are not anticipating that, but the originator will design terms
53. With regard to tracking capital through the GroundBreak system, do you mean tracking outside balances, such as grant capital, market-rate capital, and guarantees?

- No, the Financial Manager is only responsible for tracking for LCPC Pool capital

54. What impact metrics will we be tracking?
    - Being developed
55. The diagram on the last page- I think that is the wrong diagram
    - Correct. See diagram included at the end of this document.
56. Is there a desired allocation of assets between homeownership and commercial development?
    - We expect commercial development at $100m and homeownership at $300m
57. Beyond capital deployment and management, what role would the Financial Manager have in developing the "GroundBreak product formulations"?
    - The Financial Manager will not have a role in developing the initial "GroundBreak product formulations" but will be expected to provide input on their ongoing evolution.
58. What is the anticipated size of this pool? Is there a minimum hurdle launch size? What are current commitments to the pool?
    - $400 million in LCPC loans. The first close will be at $25-40 million.
59. Same as above for the grant pool re planned size?
    - We expect to raise $550 million in grants over 10 years
60. Assuming no extension of the Pool (ie: Page 11–Long Term scenarios), how long do you estimate the Pool will run (ie: 10-year deployment period + final enrolled loan extinguished + fund wind down completed)?
    - 20 years
61. Expected number of Originating Partners?
    - Less than 10 initially
62. Does the anticipated structure involve: On-lending to origination partners with restrictions on the use of funding (intermediary lending); or Direct investments in end-users (direct lending) on qualifying deals sourced by origination partners (who in turn would retain ongoing servicing)
    - The Financial Manager will not make direct loans.
    - The Origination Partners will be authorized to make loans according to predetermined parameters up to predetermined amounts.
63. Do you have any initial expectations yet regarding reporting cadence requirements (ie: monthly, quarterly, annually, etc)?
    - Quarterly and annually
64. Do you have any predetermined range of expected loss parameters on the Low Cost Patient Capital Pool that either Groundbreak and/or the underlying investors have agreed to? If not, will you want help in designing loss forecasting models and associated underwriting parameters to meld with expected loss ranges?
    - We do not at this time. We will be looking for input from the Financial Manager.

65. Graphic on RFP p.15 appears to be a carryover from the Guarantee model - can you provide for the LCPCP?
    - See diagram included at the end of this document.
66. Have the GroundBreak Implementation Teams for Homeownership and Commercial Development been established? If not, will the financial manager have any responsibilities related to the organization of these teams?
    - No, the Financial Manager will not have responsibility for establishing the teams.
67. Are the Homeownership and Commercial Development products going to be managed as two separate capital pools with separate origination partners and allocations?
    - Yes
68. Are origination partners providing and managing their own pipelines of borrowers?
    - Yes
69. Does GroundBreak have marketing / outreach plans to attract eligible borrowers to these programs?
    - Not yet, but intends to
70. Does GroundBreak intend to manage distribution of sourced leads to each originating partner?
    - No
71. Does GroundBreak have technology solutions identified for use by the originators for lead management, application tracking, or underwriting?
    - No
72. Are there identified technology solutions identified for shared portfolio management between the Financial Manager, GroundBreak stakeholders, and investors?
    - No
73. Does GBC plan for capital to be collected prior to program launch to facilitate deployment of facility capital as loans are originated to end borrowers, or will the Financial Manager perform capital calls after loans are identified for origination?
    - Both
74. What is the anticipated overall size of the capital facility, and will capital providers direct their investment into one or both of the investment tracks?
    - $400 million over 10 years and TBD.
75. How many capital investment partners does GBC plan to recruit? Is it expected for the Financial Manager to help attract capital partners?
    - 10-25 initially. No, however the Manager is expected to be available to discuss the Pool with investors and give investors confidence in the management of the Pool.

76. Will there be on-going capital partners added to the program to potentially upsize each capital facility? If so, is there a cap?
    - Capital partners can continue to add funds or increase investment amounts.
77. Does GBC anticipate standardized program reporting that can be shared with all investment partners, or does GBC anticipate that each investment partner will have their own bespoke financial reporting requirements?
    - GBC anticipates standardized program reporting, but understands there may be some unique requirements. GBC would work to minimize any bespoke reporting requirements.
78. Do the GBC Implementation Teams have an established due diligence process for selecting originating partners? Will the GBC Implementation Teams perform the due diligence process for each originating partner, or will the Financial Manager be responsible for executing due diligence for GBC-identified potential partners? If the latter, will the GBC Implementation Teams review and approve Financial Manager recommendation of origination partner due diligence?
    - The Implementation Team is establishing their process for selecting origination partners. The Financial Manager will not be responsible for executing due diligence.
79. Is there an anticipated cadence for frequency of Origination Partner engagement (operational meetings to discuss fund deployment and originator-level issue management) on a monthly, biweekly, or weekly basis?
    - Respondents may propose what they believe would be best.
80. Originator Partner enrollment and onboarding – Does GroundBreak already have proposed Originators in mind? If so, are there any lending/ capacity constraints that will prohibit their ability to fully participate in the program? Does the already identified Originators address the program's target markets? Please describe the proposed Originators anticipated lending volume per year in GBC's low-cost patient capital pool? If no originators have already been identified, how will Originators be identified and selected to participate?
    - Financial Manager is not responsible for the above and/or TBD
81. Are there ongoing financial covenants required for both the financial manager and the originators.
    - TBD
82. Does GBC anticipate establishing deployment cadences (i.e. cycles during which loans are submitted and reviewed for enrollment in the program)? Would these occur monthly or semi-monthly, or as loans are identified?

- The originators will be provided lending authority and as long as they lend within those parameters loans will not be reviewed for enrollment.

83. Would originators submit closed loans for review, or would they identify potential loans that would be reviewed and approved prior to closing with the end borrower?
    - No loans will be reviewed for approval by the Financial Manager. The originators will have full authority to lend within the parameters. The Financial Managers will be responsible for ensuring those parameters are followed and bringing issues to GBC.
84. Are the terms of each product defined and expected to be consistent across originating partners, or will each originating partner use their own product terms and duration?
    - The down payment assistance loans are defined and expected to be consistent. The commercial loans are expected to be flexible to meet the needs of the developments.
85. Will each loan product follow a consistent repayment schedule with standardized borrower payment due dates, or will each origination partner follow their own lending practices for borrower repayment?
    - Origination partner follow their own lending practices for borrower repayment
86. Will the Originators access the GBC Guarantee Program as a risk mitigation measure? If not, will there be loan loss reserve provided to each Originator to mitigate lending risks?
    - The LCPC pool is not expected to be backstopped by the Guarantee pool
87. Are there identified criteria for the forgivable portions of the homeownership product? Are these qualitative, quantitative, or a mix of both? Who is responsible for making a forgiveness determination?
    - Grant funds are being used for this and the Grant Pool Manager will oversee that.
88. Are any portions of the capital stack intended to revolve and become available for re-deployment during the program lifecycle, or are all portions of the capital investment anticipated to be closed-end?
    - Yes, we expect the pool to revolve
89. Is the capital management cadence expected to be on a standard cycle for all investors, or would each investor have their own capital return cadence?
    - Same cycle
90. Are there reporting requirements or formats already anticipated or required, and what is the expected reporting cadence (quarterly or monthly) outside of annual reporting?
    - Quarterly and annually. GBC will establish a tool with the support of the Financial Manager.

91. Are there any established tools that the financial manager will use to work with origination partners to collect performance and impact data.
    - GBC will establish tools with the support of the Financial Manager.
92. Does GroundBreak intend for the proposal to identify a response to the tasks and costs only for the 10 year deployment period?
    - We are interested in both the 10-year deployment and 20 year winddown.

Q&A for Financial Management Services for Guarantee Pool Platform

93. Can you elaborate on the expectations in terms of financial responsibility the Financial Manager is expected to have and how access to resources to execute those roles and responsibilities will be provided? How will the budget for legal fees be allocated? How flexible are the parameters of the budget recommendations?
    - GBC will be responsible for the legal costs involved in securing investors and origination partners. Origination partners will be responsible for legal costs associated with the deployment of GroundBreak funds accessed through the pools. The Financial Manager(s)' proposed budget should include any other legal costs believed essential for executing on the contract.
    - The Financial Manager is expected to propose a budget for this work overtime and include a budget for legal fees.
94. Is there a potential Guarantor Pool already identified?
    - The Pool is currently being fundraised for.
95. Can you elaborate on the scope of responsibilities expected for the "assist with fundraising" task?
    - The selection of the Financial Manager is an important element of building investor confidence. We expect to ask the Financial Manager to meet with potential investors as needed. GBC will lead fundraising and the Financial Manager is an essential part of building investor confidence and will be asked to meet to build and sustain that confidence.
96. Are there set parameters for how the loan guarantee program will be structured? Is GroundBreak open to other budget/fee structures aside from the one presented in the RFP?" Are you open to proposals that could potentially leverage capital from Federal programs or other sources to make the cost of that capital more affordable for small businesses?
    - We are seeking a Financial Manager to manage the structure defined in the RFP but remain open to continuing to evolve this structure over time as experience is gained.
97. What role does the Financial Manager have in shaping the "financial and impact guardrails established by GroundBreak"?

- GBC has the responsibility for setting the guardrails but is interested in the advice and support of the Financial Manager.

98. The RFP mentions 'impact reporting objectives' on page 12. Has GroundBreak specified impact objectives in addition to those articulated on page 5 of the RFP? If so, what are those additional impact objectives?
    - Currently being developed and refined.
99. Is it acceptable for the Financial Manager to augment proposed reporting and evaluation activities? We are interested in exploring longer-term changes in banking policies regarding risk assessment that may result from experience with this program.
    - So are we and that is a critical part of the evaluation. We would look to the Financial Manager to maximize the value of the report and evaluation activities for impact and policy change.
100. The RFP mentions a 'first and second program evaluation and reset' on page 14. Can you provide more information about what kind of evolutions in strategy your team expects the evaluation to support?
    - There will be annual program evaluations and the program will evolve based on the findings from the evaluations.
101. Are organizations able to submit as potential partners to support the work and still be considered?
    - The expectation is that all roles will be specifically identified in the proposals. The primary proposers may propose specifically identified subcontractors for various tasks.
102. What is the anticipated size of this guarantee pool? Is there a minimum launch size? What are current commitments to the pool?
    - $300 million in guarantees. There is no minimum launch size; however, we expect $20-30m for first close.
103. Is the pool a closed-end fund structure with a defined life or is it open-ended? Do you know the estimated final end-date of the guarantee program (ie: final enrolled loan extinguished and fund wind down completed)? Note: Section D - Key Program Dates (P.14) notes a final fourth program evaluation task in Q1-2029, which appears well before a final pool termination date. Page 7 (last sentence 1st paragraph) indicates a 10-year monitoring period after the end of two 5-year deployment cycles.
    - This is a closed-end pool, with two 5-year deployment cycles and all wind down will be completed 20 years after the first year of deployment.
104. How much of the guarantee pool design and individual guarantee structures have been predetermined or do you require support to design/determine how to best structure the guarantees (including potentially custom structuring on a transaction-by-transaction basis to meet the needs of different types of lender partners)? Note: This may be very important from our experience, particularly between funded and unfunded guarantee pool design (guarantor requirements), as well as depending upon the type of guarantee beneficiaries (regulated vs unregulated CDFIs, etc).

- The core principles and parameters will be predetermined; however, we believe the Financial Manager will work with GBC and lenders on customized structures for those institutions within those parameters.

105. Are you open to a partially funded guarantee pool design (versus entirely unfunded)? Note: our experience with structuring guarantee pools indicates that funded vs unfunded has different risk perception for guarantee beneficiaries and requires different claim processing operational requirements (ie: pool liquidity, frequency of claims, and small claim resolution among guarantors).
    - Yes, guarantees can be funded or unfunded.
106. Do you have any predetermined range of guarantee loss parameters that either Groundbreak and/or the underlying guarantors have agreed to? If not, will you want help in designing loss forecasting models and guarantee underwriting parameters to meld with expected loss ranges?
    - Yes, not to exceed portfolio loss of 30%, and we would expect the Financial Manager to design the individual structures for/with the participating lenders.
107. Will the guarantee pool utilize leverage (ie: can the pool issue total guarantee $ amounts greater than the sum of all underlying guarantor commitments)?
    - No, not currently anticipated
108. Does GroundBreak Coalition have a copy of any “intentional community development-oriented lending practices” guidelines that it can share now? Page 11 references “practices” recommended by GroundBreak Coalition.
    - No, but we will share those with the awarded Financial Manager and work with them to customize and finalize.
109. Do you have any initial expectations yet regarding reporting cadence requirements (ie: monthly, quarterly, annually, etc)?
    - Quarterly and annual is the currently anticipated cadence.
110. Has the GroundBreak Implementation Team (Guarantee) been established? If not, will the financial manager have any responsibilities for the organization of this team?
    - The Financial Manager will have no responsibility for the organization of this team.
111. What is the expected total committed amount of the Guarantee pool?
    - $300 million in guarantees
112. Will lender partners be expected to change their current underwriting practices or scope of credit availability to participate in the program?
    - Yes
113. Are there identified loan product terms that enrolled loans need to conform to?
    - Yes, that is a critical part of the negotiations taking place currently and will be finalized with Financial Manager support.

114. Does GroundBreak anticipate that all guarantors will be of equal priority based on their weighting of the commitment as it relates to the Guarantee pool, or will there be multiple seniorities of guarantor?

    - Anticipated that all will be equal priority

115. Will funded guarantees be uniform in type of asset (i.e. cash) or will there be a mix of cash and non-cash assets that will be managed by the Financial Manager and fiscal agent respectively?

    - We expect there to be funded and unfunded investments in the Guarantee pool. The funded investments are likely to be managed by a fiscal agent.

116. What is the anticipated cadence of the “random quality checks” on the lenders?

    - We would look for Respondent proposals to suggest.

117. Does GroundBreak anticipate that all of the lender partners will be banks, or will some be NDFIs and CDFIs?

    - We anticipate a mix of lending partners.

118. How often does GroundBreak anticipate changes to the program objectives based on data observed within the program? Is this based on the program evaluation cadence, or are there other potential triggers expected for changes to the program criteria?

    - We expect primarily based on program evaluation cadence.

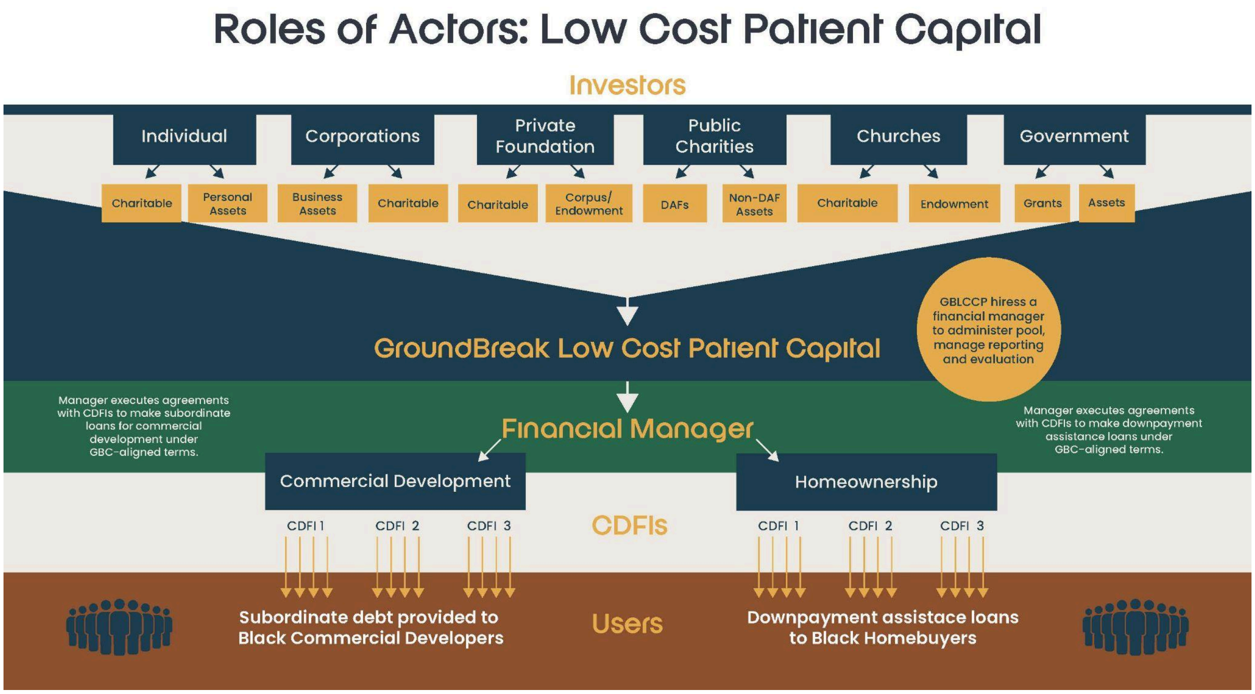
119. Are there credit enhancements intended other than the provision of guarantees to the lenders, or does the task in C.6.2 describe the mechanism for a call by a lender against the guarantee on a loan?

    - No other credit enhancements are currently anticipated.

120. What does “and Reset” entail in terms of the program evaluation window?

    - We expect to potentially make changes to the program based on annual evaluation findings.

Appendix Image Update


Roles of Actors: Low Cost Patient Capital
Investors
Individual
Corporations
Private Foundation
Public Charities
Churches
Government
Charitable
Personal Assets
Business Assets
Charitable
Charitable
Corpus/ Endowment
DAFs
Non-DAF Assets
Charitable
Endowment
Grants
Assets
GroundBreak Low Cost Patient Capital
GBLCCP hiress a financial manager to administer pool, manage reporting and evaluation
Manager executes agreements with CDFIs to make subordinate loans for commercial development under GBC-aligned terms.
Financial Manager
Manager executes agreements with CDFIs to make downpayment assistance loans under GBC-aligned terms.
Commercial Development
Homeownership
CDFI 1
CDFI 2
CDFI 3
CDFIs
CDFI 1
CDFI 2
CDFI 3
Subordinate debt provided to Black Commercial Developers
Users
Downpayment assistance loans to Black Homebuyers