

**U.S. DEPARTMENT OF THE TREASURY
NOTICE TO FINANCIAL INSTITUTIONS
INTERESTED IN PROVIDING
ASSET MANAGEMENT SERVICES
FOR THE SMALL BUSINESS LENDING
FUND**

Submissions Due: 5:00 p.m. ET on February 2, 2012 to SBLFAM@treasury.gov



OVERVIEW

The U.S. Department of the Treasury (“Treasury”) issues this notice to “Financial Institutions” (as defined below), including both “buy side” and “sell side” investment advisory organizations, interested in providing asset management services for a portfolio of securities, including senior preferred shares and subordinated debt issued to the Treasury by both public and private community banks, thrifts and Community Development Loan Funds (CDLF) with total assets less than \$10 billion that received investments from the Small Business Lending Fund (SBLF), which was established by the Small Business Jobs Act of 2010.

The size of the SBLF portfolio is approximately \$4 billion (approximately \$3.9 billion of community bank investments and approximately \$100 million of CDLF investments), comprised of 332 institutions (281 banks and 51 CDLFs). The portfolio includes c-corporations, s-corporations, mutuals and CDLFs. The more qualified small business lending that an institution does on a quarterly basis, the lower its dividend or interest rate will be. For more information on the specific terms of the investments, please see the terms on our website at <http://www.treasury.gov/resource-center/sb-programs/Pages/Closing-Information.aspx>.

The Treasury seeks a limited number of Financial Institutions to provide asset management services for the SBLF portfolio. This notice describes services sought by the Treasury, sets forth the rules for submitting a response, and lists the factors that will be considered in selecting Financial Institutions to provide services in support of Treasury’s management of the SBLF portfolio. Financial Institutions selected pursuant to this notice to provide asset management services to the Treasury will be designated as financial agents of the United States.

As described in detail later in this notice, Financial Institutions may submit responses to provide asset management services with respect to both community banking institutions **and** CDLFs, **or** only community banking institutions, **or** only CDLFs.

I. Bank and Thrift Depository Institutions Less than \$10 Billion

A. PORTFOLIO SERVICES

The Treasury expects that a given financial institution will be assigned a certain number of public and/or private financial institutions and shall be prepared to provide all the services identified in this notice for the securities and obligations issued by their assigned financial institutions. As more fully described in Section I.B., the services shall include (1) monitoring the financial condition and repayment capacity of SBLF participating institutions; (2) valuing the assets issued by the participating institutions; (3) analyzing the on-going financial condition, capital structure, and risks of the participating institutions; (4) providing the Treasury with detailed analysis and recommendations on corporate actions, disclosures, consents, waivers, and other business events that could have an impact on Treasury’s investment and compliance responsibilities; and (5) as requested by Treasury, assisting with participating institutions’ restructurings, or the optimal disposition of the Treasury’s assets, which may involve executing certain transactions in accordance with the Treasury’s policies and instructions.

The portfolio will generally be managed to help limit the potential for capital losses or inability of the SBLF institutions to pay dividends or interest. The Treasury's expected financial return is limited to receipt of dividends and interest and return of the investment principal.

Various events, such as changes in market valuations and market conditions, financial condition and repayment capacity deterioration, mergers and acquisitions, and impending step-up and maturity dates may involve transfers or other transactions by the participating banks which, in certain instances, are subject to the Treasury's approval. The selected Financial Institutions will be required to understand and evaluate these and any other events that may have an impact on the value of the Treasury's holdings, and upon request, provide detailed analysis to the Treasury.

The selected Financial Institutions will not provide custody of any assets, although the engaged Financial Institutions will be required to work in good faith with the Treasury's custodian for the SBLF portfolio in carrying out their duties.

The engaged Financial Institutions will be required to work collaboratively with the Treasury and each other to develop and maintain a consistent asset management framework that is standard across the SBLF portfolio.

The performance of individual asset managers will be measured by a variety of custom quantitative and qualitative metrics developed by the Treasury.

B. FINANCIAL INSTITUTIONS DESIGNATED TO PROVIDE ASSET MANAGEMENT SERVICES WILL BE REQUIRED TO PERFORM THE FOLLOWING:

Portfolio Management

- Act as the Treasury's asset manager in accordance with the policies that Treasury has and will establish.

Valuation

- Determine the market value of SBLF investments incorporating pricing and relative value measures from external sources and models as appropriate. Such valuations will be completed periodically (e.g., on a quarterly basis) or as otherwise needed. Market valuations may be used to report internally on portfolio value, to prepare for potential restructurings, to respond to corporate actions, or to evaluate disposition alternatives, although other factors may be considered as well.

Monitoring

- Analyze the on-going financial condition and capital structure of SBLF participating institutions, based on relevant market conditions and the institutions' current financial condition, trends and outlook as it affects the SBLF investment. Conduct equity and debt financial analysis as appropriate to the investment, on behalf of the Treasury as an investor representing the taxpayer. It is expected that there will be multiple levels of monitoring dependent on the identified risk level of an institution in the SBLF portfolio. At a minimum there shall be two levels of monitoring to capture the standard and heightened risk levels. The

levels shall include quantitative and qualitative risk factors with the objective of serving as an “early warning system”. Special attention may also be paid to the largest exposures (in dollar terms and in terms of default and delinquency risk) in the SBLF portfolio.

- Develop and maintain credit scoring or rating system(s) to track condition, trend and repayment outlook of banks in the SBLF portfolio with the objective of Treasury using the information to report on portfolio quality/risk, serve as the metric for an “early warning system” and to develop, as necessary, restructuring strategies.
- Develop, document, and execute monitoring and surveillance strategies/methodologies to meet the Treasury’s policy objectives with differentiated monitoring and surveillance strategies dependent on investment risk level as summarized above.
- Monitoring information requirements: It is contemplated that the monitoring for banks will, at a minimum, be based on call reports, the review of publicly available regulatory agency enforcement actions and publicly reported news and corporate actions. Communication with SBLF institution management may also be considered within the scope of the monitoring activities. Reporting to Treasury shall, at a minimum, include securities and obligations held, positions in asset classes and securities and obligations characteristics and transactions. For publicly traded institutions, the Financial Institution shall be expected to produce security pricing metrics that measure performance and risk of the SBLF institutions. To the extent that it is integral to monitoring, the Financial Institution will be expected to produce research and be current on banking industry trends, with a focus on community banking trends.
- Dividend and Interest Payment Analysis: The SBLF portfolio includes non-cumulative preferred shares and subordinated debt and thus, the issuer’s capacity to pay dividends or interest is important to monitor. The Financial Institution will be required to assess and provide information on the SBLF participating institution’s capacity to pay Treasury, including identifying any federal or state regulatory restrictions on making dividend or interest payments, to the extent such information is publicly available.
- Forecast expected principal, interest and dividend payments given a range of market scenarios.
- Monitor the risks and volatility of the SBLF portfolio and communicate that information to Treasury in an agreed upon form and frequency.

Transaction Structuring Services

- As requested by Treasury, analyze potential and prospective specific restructuring proposals and proposed corporate actions, for example, proposals to sell/merge an SBLF participating institution. Such input is contemplated, to include, but not limited to, evaluation of alternatives, valuation and portfolio impact, modeling of new investor internal rate of return, understanding of the institution’s business purpose and recommendation of negotiating strategy.
- As requested by Treasury, analyze the strategy and optimal timing for disposition activities.

Coordination

Work in good faith and coordinate with other firms, federal agencies and governmental agencies that are involved with the SBLF, as directed by Treasury. In particular, the selected Financial Institutions will be required to work together to develop, implement and maintain a consistent asset management framework, assessment methodology, and reporting formats.

Operations

- Provide for all necessary operational and analytical hardware and software to support the services in this notice.
- Submit deliverables in specified formats and in accordance to the delivery dates agreed upon by the Treasury.
- Identify, document, and enforce internal controls on an on-going basis.
- Permit the Treasury's internal and external auditors, or other governmental oversight entities, to audit books and records related to the services in this notice.
- Support the preparation of reports to oversight bodies, including the United States Congress.
- Retain all documentation and reports related to the services in this notice, subject to the Treasury's record keeping requirements.
- Respond promptly to the Treasury's verbal and written inquiries.

A Financial Institution should be prepared to provide services immediately if selected as an asset manager.

As a financial agent, the Financial Institution will have a fiduciary responsibility to perform all services in the best interests of the United States.

II. COMMUNITY DEVELOPMENT LOAN FUNDS

A. Portfolio Services

The Treasury expects that a Financial Institution will be selected as an asset manager and assigned to track the SBLF CDLF program participants, provide for the SBLF CDLF investment portfolio review and perform the services identified in Section B of the notice, as requested, for the equity equivalent (EQ2) securities issued by the CDLFs to Treasury. As more fully described in Section B, the services will include monitoring the financial condition and repayment outlook of Treasury investments; analyzing the on-going financial condition, capital structure, and risks of the CDLFs; and advising on any restructuring, or the disposition of the Treasury's assets should that decision be made by the Treasury. The latter could involve providing the Treasury with detailed analysis and recommendations on business events that could have an impact on Treasury's investment. Finally, the Financial Institution's responsibility may include evaluation of how the CDLF is utilizing the Treasury investment.

Various events, such as changes in impending step-up and maturity dates and Treasury investment policy decisions with respect to the portfolio, may involve transfers or other transactions by the participating CDLF which may be subject to the Treasury's approval. The Financial Institution will be required to understand and evaluate these and any other events that may have an impact on the value of the Treasury's holdings, and to provide detailed analysis to the Treasury.

The portfolio will generally be managed to help limit the potential for capital losses or inability of the SBLF institutions to pay interest. The Treasury's expected financial return is limited to payment of interest and redemption of the investment principal.

The Treasury will determine any investment restructuring and the ultimate disposition of holdings or otherwise issue disposition guidance to the Financial Institution.

The selected Financial Institution will not provide custody of any assets, but the engaged Financial Institution will be required to work in good faith with the Treasury's custodian for the SBLF portfolio in carrying out their duties.

The performance of the asset manager will be measured by a variety of custom quantitative and qualitative metrics developed by the Treasury.

Treasury's decision to invest in each CDLF was based on a number of factors, including compliance with financial ratios - net asset, liquidity, average net income over three years, nonperforming assets as a percentage of loss reserves and net assets and loss reserves as a percentage of nonperforming loans during the time prior to application. For more detailed information regarding the investment criteria, please refer to the program application materials at www.treasury.gov/sblf. The post-investment financial and portfolio monitoring addressed in this notice will also include an assessment of the CDLF's financial condition and capacity to pay interest and principal, and the CDLF's use of Treasury's funding.

B. FINANCIAL INSTITUTION DESIGNATED TO PROVIDE ASSET MANAGEMENT SERVICES WILL BE REQUIRED TO PERFORM THE FOLLOWING:

Portfolio Management

- Act as the Treasury's asset manager in accordance with the policies that Treasury has established and will establish.

Monitoring

- Analyze the on-going financial condition and capital structure of the CDLF in light of its relevant market conditions and the CDLF's current financial condition, trends and outlook as it affects the SBLF investment on behalf of the Treasury as an investor representing the taxpayer. It is expected that there will be multiple levels of monitoring dependent on the identified risk level of an institution in the SBLF portfolio. At a minimum there will be two levels of monitoring to capture the standard and heightened risk levels. The levels shall include quantitative and qualitative risk factors with the objective of serving as an "early warning system." Special attention may also be paid to the largest exposures (in dollar terms and in terms of default and delinquency risk) in the SBLF CDLF portfolio.
- Develop and maintain credit scoring or rating system(s) to track condition, trend and repayment outlook of CDLFs in the SBLF portfolio with the objective of Treasury using the information to report on portfolio quality/risk, serve as the metric for an "early warning system" and to develop, as necessary, restructuring strategies.

- Develop, document, and execute monitoring and surveillance strategies/methodologies to meet the Treasury’s policy objectives with differentiated monitoring and surveillance strategies dependent on investment risk level as summarized above.
- Monitoring information requirements:
 - It is contemplated that the monitoring for CDLFs will be based, at a minimum, on audited financial statements, interim financial statements and the SBLF Quarterly Supplemental Report.
 - It is expected that this monitoring will include a review of publicly available information with respect to specific institutions and events that may pose reputational risk to Treasury.
 - Financial Institutions may consider other analysis and research as part of the monitoring methodology, such as communication with CDLF management within the scope of monitoring.
 - To the extent that it is integral to monitoring, the Financial Institution will be expected to produce research and be current on financial services industry trends with a focus on non-profit community development fund trends.
- Monitor risks of the CDLF portfolio and communicate that information to Treasury in an agreed upon form and with agreed upon frequency.
- Provide consistent reporting among CDLFs in the SBLF portfolio with respect to key financial ratios, including those established as program eligibility requirements.

Transaction Structuring Services

- As requested by Treasury, analyze potential and prospective specific CDLF troubled debt restructuring proposals and proposed corporate actions, for example, proposals to sell/merge, or a change in organizational structure or liquidation of the CDLF. Such input is contemplated to include, among other things, an evaluation of alternatives, valuation and portfolio impact, an understanding of the CDLF’s proposed structure or changes, and analysis to Treasury on actions and negotiating strategies.
- As requested by Treasury, analyze the strategy and optimal timing for disposition activities.

Coordination

Work in good faith and coordinate with other firms, federal agencies and governmental agencies that are involved with the SBLF, as directed by Treasury. In particular, the selected Financial Institution will be required to work together with the other selected firms to develop, implement and maintain a consistent asset management framework, assessment methodology, and reporting formats where appropriate.

Operations

- Provide for all necessary operational and analytical hardware and software to support the services in this notice.
- Submit deliverables in specified formats and in accordance to the delivery dates agreed upon by the Treasury.

- Identify, document, and enforce internal controls on an on-going basis.
- Permit the Treasury’s internal and external auditors, or other governmental oversight entities, to audit books and records related to the services in this notice.
- Support the preparation of reports to oversight bodies, including the U.S. Congress.
- Retain all documentation and reports related to the services in this notice, subject to the Treasury’s record keeping requirements.
- Respond promptly to the Treasury’s verbal and written inquiries.

A Financial Institution should be prepared to provide services immediately if selected as an asset manager.

As a financial agent, the Financial Institution will have a fiduciary responsibility to perform all services in the best interests of the United States.

III. MANAGER MODELS

As indicated above, the Treasury envisions selecting a limited number of managers, pursuant to this notice to manage the SBLF portfolio. Given the scope of the portfolio, these asset managers may be grouped into different tiers or segments, based on manager size, expertise, assignment to different parts of the capital structure, or other characteristics. Asset managers also may be joined as co-managers of the portfolio or certain segments of the portfolio. The Treasury may decide to institute a framework of one or more manager models that will support an inclusive approach to engage both large and small firms.

To provide for a diversity of participation and ideas, and to identify skilled asset management talent and capabilities throughout the industry, the Treasury is interested in receiving responses from all qualified Financial Institutions, including small and/or minority or women-owned or -controlled Financial Institutions. If your Financial Institution is small and/or minority or women-owned or-controlled, you may answer the additional items in Section VI.C. of the notice.

IV. ORGANIZATIONAL ELIGIBILITY

To be eligible to be selected as a financial agent pursuant to this notice, an organization:

- Must be a “Financial Institution”, which means any bank, savings association, trust company, security broker or dealer, asset manager, or investment advisor. The Financial Institution must be established and regulated under the laws of the United States or any State, territory, or possession of the United States, the District of Columbia, Commonwealth of Puerto Rico, Commonwealth of Northern Mariana Islands, Guam, American Samoa, or the United States Virgin Islands, and have significant operations in the United States, but excluding any central bank of, or institution owned by, a foreign government. Registered investment advisors under the Investment Advisers Act of 1940, as amended, and private equity firms are considered “Financial Institutions” eligible to be designated as financial agents for purposes

of this notice.

- Must not be on any Federal excluded parties, debarment, or suspension lists.
- Must not be delinquent on any debts owed to the Federal Government.
- Must not be subject to any pending or current enforcement actions that could impair its ability to provide any services under this notice.
- If currently doing business with the Treasury or another Federal agency, must not be in any probationary status, and must be addressing and resolving any identified deficiencies in performance.

V. MINIMUM QUALIFICATIONS

The Treasury has established the following minimum qualifications for considering responses from interested and organizationally eligible Financial Institutions. If your firm intends to engage a contractor to support you in providing the services, please indicate that appropriately in your responses to the questions in Section VI.

- The Financial Institution must have been continuously engaged as a principal business in managing bank, thrift and/or CDFI/CDLF assets, comparable to the services described in this notice, for the last 3 years.
- **FOR BANKS AND THRIFTS:** The Financial Institution must have at least \$100 million in dollar-denominated assets under management or have engaged in financial service transactions, including capital raises, branch acquisitions/sales, loan sales/purchase, management buy-outs and mergers and acquisitions, with an aggregate value of at least \$1 billion. Experience with institutions having less than \$10 billion in assets is preferable.
- **FOR BANKS AND THRIFTS:** The Financial Institution's primary manager assigned to the Treasury account must have at least 10 years of experience in managing assets, or as an adviser or principal in financial service (preferably community banks less than \$10 billion in assets) transactions comparable to those described in this notice.
- **FOR CDLFS:** The Financial Institution's primary manager assigned to the Treasury account must have at least 10 years of experience in managing assets or engaging in CDFI/community bank transactions comparable to those described in this notice. Treasury will consider Financial Institution's partnering with organizations with extensive CDLF experience as a part of this notice. If a Financial Institution chooses to do this, its responses to the questions in Section VI must holistically address all parties involved.
- The Financial Institution must have financial statements prepared by an independent accounting firm, in accordance with generally accepted accounting principles, for the last 3 years.
- The Financial Institution must covenant to disclose all actual and potential conflicts of interest, and to avoid, mitigate, or neutralize to the extent feasible and to the Treasury's satisfaction any personal or organizational conflicts of interest that may be identified by the

Treasury or the Financial Institution. To this end, the Financial Institution must be able and willing to enact and enforce information barriers sufficient to prevent the disclosure or misuse of material, non-public information received or obtained from, or derived on behalf of, the Treasury.

- The Financial Institution must be able and willing to partner with other Financial Institutions selected to be primary managers of the portfolio, as directed by the Treasury.
- The Financial Institution must be able and willing to work with other firms, Federal agencies and governmental entities, as directed by the Treasury, when the Treasury determines it to be in the best interest of the government.
- The Financial Institution must meet all organizational eligibility standards in Section IV.

VI. INFORMATION REQUESTED

A. THIS SECTION IDENTIFIES THE PRIMARY INFORMATION THE FINANCIAL INSTITUTION MUST PROVIDE IN ITS RESPONSE TO THIS NOTICE FOR ASSET MANAGEMENT SERVICES FOR BANKS AND THRIFTS. SHOULD YOU HAVE IDENTIFIED AN ORGANIZATION TO ASSIST YOU IN PERFORMING THE SERVICES, THE INFORMATION OF THAT PARTY SHOULD BE DISCUSSED IN YOUR RESPONSE.

- 1. Ownership.** Please provide a succinct overview of your firm's ownership structure, and identify any major changes in the ownership structure that have occurred in the last 3 years.
- 2. Summary of Capabilities.** Please provide an overview of your firm's specific organizational, technical, and personnel capabilities to perform the services identified in Section I.B. of this notice.
- 3. Expertise.** Describe the relevant specific expertise of your firm, taking into consideration the following: (i) managing and/or analyzing community bank or thrift preferred shares, subordinated debt, other financial institution equity securities or debt obligations and privately held banks and thrifts (ii) the financial services sectors, (iii) specific geographic areas, if any, (iv) working with the federal government as a service provider and (v) other capabilities or skills you consider relevant to this notice.
- 4. Assets under Management/Community Bank Financial Advisory Services.** Provide information on the number of your clients and a breakdown of your firm's assets under management by asset and/or product type as of December 31, 2011 for at least the past 3 years, with any relevant details particular to the services and asset types identified in this notice; AND/OR financial institution transactions including type of transaction, client and dollar value of the transaction, e.g. branch sale, capital raise, loan sale, or M&A.
- 5. Performance.** Provide a table:

For institutions that participate in "buy side" activities: Showing annualized gross-of-fee returns for Government Investment Performance Standards (GIPS) compliant composites for 1-year, 3-years, and, if available, 5-years ended December 31, 2011, or alternatively September 30, 2011, against a broad U.S. market benchmark(s). If you are unable to provide a composite that complies with GIPS, please note this and provide relevant disclosures on the composite (number of accounts, dispersion, total assets, etc.); OR

For institutions that participate in "sell side" activities: Provide summary of completed and closed financial service industry transaction performance metrics over the last three years, for example, deal price relative to book or market value with appropriate explanation of the metric(s) used.
- 6. Personnel.** Describe the composition and expertise of your firm's personnel, and provide brief biographies of the senior team members who will be assigned to the Treasury account. The summary should directly address experience in the community banking sector.
- 7. Back Office and Reporting.** Discuss your firm's back office and reporting capabilities that would be a part of your proposed services to the Treasury in response to this notice, such as the

technology required to provide the services, internal controls, and third party services such as producing a variety of standard and customized reports (e.g., performance reports, investor letters, risk reports, attribution reports).

8. Infrastructure Changes. Discuss what, if anything, your firm would need to change within its infrastructure (e.g., systems, licenses, personnel, etc.) to support the scope of services identified in this notice, including mitigation of conflicts of interest.

9. Conflicts of Interest. Identify any actual or potential conflicts of interest you would have in managing a portfolio as described in this notice. Include the interests of your corporate parents, subsidiaries, and affiliates in your answer. A conflict of interest is a relationship or activity that would cause a reasonable person to question your objectivity or ability to fulfill your fiduciary duties to the Treasury.

10. Mitigation Plan. Describe the specific steps you would take to avoid, mitigate, or neutralize any such conflicts.

11. Compliance. Describe your firm's compliance and ethics program, including any policies, procedures, training requirements, and audit practices designed to detect and prevent violations of Federal securities laws and conflicts of interest. If your organization has a compliance or risk officer, describe that person's position in the company's management structure and state whether that person operates independently from portfolio managers and other investment-policy decision makers.

12. Regulatory and Legal Actions. Identify any Federal or State citations or enforcement actions your organization or any affiliate has received or been warned of, and any litigation or legal proceeding involving your asset management or investment consulting services involving fraud, negligence, criminal activity, or breach of fiduciary duty.

13. Ideas and Insights. Given the unique nature of the portfolio, the Treasury's policy goals of supporting small business lending and protecting the taxpayer, and the services described in this notice, provide specific recommendations, or insights on:

a. Strategy for monitoring the SBLF investments for the Treasury, including distinctions between standard monitoring and monitoring of higher risk institution investments. The discussion should address your financial institution management communication strategy, the overall data to be acquired for monitoring purposes, and how the data would be analyzed.

b. An appropriate credit rating methodology.

c. Provide two examples of a financial advisory assignment for a bank client/investor in a bank or thrift transaction. One example should involve a financially solvent institution, and the other should involve a financially weakened institution. Both examples should include the results of the situations.

and

d. Reporting Recommendation. Recommend in summary fashion the reporting format the Treasury should expect to receive on the status of holdings, the condition, portfolio and attributes of institutions that have issued obligations to the Treasury, and/or the performance or surveillance metrics for the portfolio.

14. **Fees.** Describe your proposed fees, including the reasons and logic behind the proposed fees, and declare the all-in costs associated with your services. The fee presentation should at a minimum include 1) standard monitoring in groups of 50 (e.g. 0-50 institutions, 51-100, etc.), 2) monitoring of higher risk institutions, 3) transaction structuring services and 4) the proposed number and level of full time employees required and volume you anticipate your firm could provide the requested services for.

B. THIS SECTION IDENTIFIES THE PRIMARY INFORMATION THE FINANCIAL INSTITUTION MUST PROVIDE IN ITS RESPONSE TO THIS NOTICE FOR ASSET MANAGEMENT SERVICES FOR CDLFS. SHOULD YOU HAVE IDENTIFIED AN ORGANIZATION TO ASSIST YOU IN PERFORMING THE SERVICES, THE INFORMATION OF THAT PARTY SHOULD BE DISCUSSED IN YOUR RESPONSE. IF YOUR FIRM IS APPLYING TO PROVIDE SERVICES FOR BANKS/THRIFTS AND CDLFS PLEASE ONLY RESPOND TO QUESTIONS 2-5 AND 10-12 FROM THIS SECTION. YOUR RESPONSES TO THE OTHER QUESTIONS SHOULD COMPREHENSIVELY ADDRESS BANKS, THRIFTS AND CDLFS IF APPLYING TO PROVIDE SERVICES FOR BOTH.

1. **Ownership.** Please provide a succinct overview of your firm's ownership structure, and identify any major changes in the ownership structure that have occurred in the last 3 years.

2. **Summary of Capabilities.** Please provide an overview of your firm's specific organizational, technical, and personnel capabilities to perform the services identified in Section II.B. of this notice.

3. **Expertise.** Describe any specific expertise your firm has in managing and/or analyzing (i) Community Development Financial Institutions (CDFI) with a focus on non-profit loan funds (CDLFS), (ii) EQ2 investments, (iii) specific geographic areas, if any, (iv) working with the federal government as a service provider and (v) other capabilities or skills you consider relevant to this notice.

4. **Assets under Management/Transactions.** Provide information on your number of clients, dollar volume of assets under management and a breakdown of your firm's CDFI assets under management by asset and/or product type as of December 31, 2011 for at least the past 3 years, with any relevant details particular to the CDFI services and asset types identified in this notice; OR

Services related to negotiating or restructuring CDFI investments.

5. **Personnel.** Describe the composition and expertise of your firm's personnel, and provide brief biographies of the senior team members who will be assigned to the Treasury account. The summary should directly address experience in the CDFI sector.

6. **Conflicts of Interest.** Identify any actual or potential conflicts of interest you would have in managing a portfolio as described in this notice. Include the interests of your corporate parents, subsidiaries, and affiliates in your answer. A conflict of interest is a relationship or activity that would cause a reasonable person to question your objectivity or ability to fulfill your fiduciary duties to the Treasury.

7. **Mitigation Plan.** Describe the specific steps you would take to avoid, mitigate, or neutralize any such conflicts.

8. **Compliance.** Describe your firm's compliance and ethics program, including any policies, procedures, training requirements, and audit practices designed to detect and prevent violations of Federal securities laws and conflicts of interest. If your organization has a compliance or risk officer, describe that person's position in the company's management structure and state whether that person operates independently from portfolio managers and other investment-policy decision makers.

9. **Regulatory and Legal Actions.** Identify any Federal or State citations or enforcement actions your organization or any affiliate has received or been warned of, and any litigation or legal proceeding involving your asset management or investment consulting services involving fraud, negligence, criminal activity, or breach of fiduciary duty.

10. **Ideas and Insights.** Given the unique nature of the SBLF portfolio and the non-profit CDLF organizational structure, the Treasury's primary policy goal of investment to support small business lending, and the services described in this notice, provide specific recommendations, or insights on

a. Strategy for monitoring the repayment outlook of SBLF CDLF investments and financial condition of participating CDLFs. The discussion should address:

- Financial institution management communication strategy

- Data to be acquired and proposals for how to organize and analyze this information

- Whether the type of monitoring should be differentiated based on the risk exposure the CDLF presents to Treasury because of, for example, asset size or financial condition

b. An appropriate CDLF credit rating/credit score methodology to evaluate, report and monitor the CDLF portfolio.

c. How and whether social impact should be addressed in the CDLF portfolio investment analysis and

d. At least two insights for a strategy or approach for restructuring a financial weakened CDLF; OR an example of advising CDFI management/board/funding organization of restructuring a financially weakened CDFI.

11. **Reporting Recommendation.** Describe a recommended reporting system including the type and format of the most useful report that the Treasury should receive on the status of holdings, the condition and attributes of CDLFs and SBLF EQ2 investments issued to the Treasury, and the performance or surveillance metrics for the portfolio.

12. **Fees.** Describe your proposed fees, including the reasons and logic behind the proposed fees, and declare the all-in costs associated with your services. The fee presentation should at a minimum include 1) standard monitoring 2) monitoring of higher risk institutions 3) transaction structuring services and 4) the proposed number and level of full time employees required and volume you anticipate your firm could provide the requested services for.

C. ADDITIONAL ITEMS FOR SMALL, MINORITY, OR WOMEN OWNED BUSINESSES

In identifying qualified small, minority or women owned or controlled Financial Institutions, the Treasury is relying on standards established by the Small Business Administration regarding size qualifications and Sector 52, Subsector 523 and the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding ownership qualifications for the purposes of this notice. Please note that a Financial Institution may be a combination of the aforementioned classifications, or one or none in order to respond to this notice. Financial Institutions that are small, minority, or women owned, may answer the following additional items regarding their status.

1. **Small Business.** State your firm's annual average receipts for the past 3 years.
2. **Minority/Women Ownership.** Identify the percentage of the business that is either women-owned or minority-owned. As part of your answer, identify the percentage of the voting interests that is actually and fully owned by women or minorities, and identify the percentage of net profit and loss that actually and fully accrues to women or minorities.

VII. SELECTION PROCESS

The Treasury will evaluate the responses to this notice from all interested and qualified Financial Institutions, and will invite certain candidates to continue to the second phase of the financial agent selection process. The second phase, and subsequent phases, may be conducted under confidentiality agreements to facilitate information exchange. In the second or future phases, the prospective financial agents may be requested to provide additional information on the information requested in this notice or other information deemed necessary to make a selection such as references for example. These phases may include face-to-face discussions and/or telephone conversations to allow questioning by and of the Treasury. The Treasury will evaluate the responses and make final selections of the Financial Institutions to be designated as asset managers.

Financial Institutions selected to be asset managers must sign a Financial Agency Agreement with the Treasury, a copy of which will be provided for review during the second stage of the selection process. The Financial Institution's willingness to enter into the standard Financial Agency Agreement, with the established terms and conditions currently applied to financial agents of the United States, and its willingness to agree to the proposed compensation structure, to mitigate conflicts of interest and to monitor internal controls, will be among the factors used in evaluating the Financial Institution.

The Treasury will notify the Financial Institution if its response to this notice is selected, rejected, or requires further information. However, the Treasury shall have no requirement to discuss the reasons, in either general or specific terms, or at any stage in the selection process, that the Financial Institution's response was not accepted or that the selection process may have been terminated. The Treasury may, in its sole discretion, decide not to select any asset managers pursuant to this notice.

The financial agent selection process may involve extremely short deadlines for submitting additional information, participating in conference calls, and for traveling to Washington, D.C. for meetings or interviews. Financial Institutions must be prepared to respond immediately during the selection process.

VIII. DEADLINE AND SUBMISSION OF RESPONSE

To be considered to provide the services in this notice, the Financial Institution must submit its response by 5:00 p.m. ET on February 2, 2012.

The response must be submitted in a portable document formatted (PDF) file via email to: SBLFAM@treasury.gov

Additional information about the Small Business Jobs Act of 2010 and the programs established under it, which may help in writing a response, may be found at: <http://www.treasury.gov/sblf>.

This notice includes the entirety of instructions and guidance for interested Financial Institutions to submit a response. Financial Institutions should not attempt to obtain additional information from officers, employees, or agents of the Treasury regarding this notice. No information gained from any such communication may be considered in any way binding or limiting on the Treasury.

The Treasury, in its sole discretion, may change the deadline for submission of responses.

The Treasury has no obligation to consider a response received after the deadline provided above. The only acceptable evidence of the time of receipt is the Treasury's time/date stamp on the response or other evidence of receipt maintained by the Treasury.

The Financial Institution, by submitting a response to this notice, warrants and represents that it understands and agrees to all terms of this notice and the selection process, including the following:

- The Treasury, in its sole discretion, will select Financial Institutions to perform the services in this notice, based on its determination of what is in the best interests of the United States.
- No communication, question, response, or clarification, whether oral or written, about the requirements of this notice shall in any way serve to limit the Treasury's complete and sole discretion in selecting a Financial Institution and in making decisions in connection with this notice.
- The Treasury may select, reject, or request additional clarifying information about a Financial Institution's response without further discussion with the Financial Institution.

Because the Treasury may select or reject the response without engaging in discussion, the Financial Institution must present its most favorable technical and pricing response.

IX. RESPONSE FORMAT

The response must include a one-page cover letter, executed by a person legally authorized to represent the Financial Institution that includes the following:

- The name, title, address, and office and cell phone numbers of the individual to receive communications from the Treasury.

- A certification statement that the Financial Institution (i) meets the organizational eligibility requirements of Section IV, (ii) meets the minimum qualifications in Section V, (iii) understands and agrees to the terms and selection process set forth in this notice, (iv) understands and agrees to the confidentiality provisions in Section XIII, (v) understands and agrees that as a financial agent it will have a fiduciary duty to perform all services in the best interests of the United States, and (vi) is capable of providing the services identified in this notice.

The cover letter may be addressed to:

SBLF Program Office
U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220

In addition to the cover letter, the response must include a document not to exceed 20 one-sided pages, in 12-point font with 1-inch margins, addressing all of the items in Section VI.A. if your firm is applying to provide services for banks and thrifts or Section VI.B. if your firm is applying to provide services for CDLFs. In addition to the cover letter and the document not to exceed 20 pages, the response may include, if applicable, a document not to exceed 1 one-sided page, in 12-point font with 1-inch margins, addressing the items in Section VI.C. for small, minority or women-owned businesses. If your firm is applying to provide services for both banks, thrifts and CDLFs, your response must address all of the items in Section VI.A. and questions 2-5 AND 10-12 in Section VI.B. If applying to provide services for both banks/thrifts and CDLFs, your responses to the questions in the aforementioned sections must not exceed in total 25 one-sided pages in 12-point font with 1-inch margins, in addition to the 1 page allowed for small, minority or women-owned businesses if applicable.

The response must not include any other documents or attachments. The response must not include any generic marketing or sales information, or rely on cross-references to other documents.

The response should be submitted as a single, consolidated PDF file, including the cover letter and the responses to all of the applicable questions. Please include the name of your Financial Institution in either the header or footer of each page of your response, and please include only the name of your Financial Institution in the subject line of your email submission.

X. EVALUATION OF RESPONSE

The Treasury's overarching objective in evaluating Financial Institution responses and selecting providers is to ensure that the portfolio is managed in the most ethical, transparent, accountable, and cost effective manner possible.

The Treasury will use the following non-exclusive factors in evaluating a Financial Institution's response:

- The value and rigor of the Financial Institution's ideas, recommendations, and insights.
- The qualifications of staff to be assigned to the Treasury.

- The Financial Institution’s experience in managing and analyzing the types of assets and performing the types of services identified in this notice.
- The Financial Institution’s existing infrastructural capabilities, or clear and credible evidence of the ability to implement necessary infrastructural capabilities, to support the services identified in this notice in a timely fashion.
- The quality and cogency of the written response in answering the questions directly and supplying the most relevant information.
- The nature and extent of the Financial Institution’s conflicts of interest and its ability to neutralize or mitigate such conflicts.
- The robustness of the Financial Institution’s internal control program.
- The Financial Institution’s overall financial and management stability.
- The Financial Institution’s proposed fee schedule and all-in costs as well as their overall capacity.
- The Financial Institution’s willingness to enter into the standard Financial Agency Agreement, with the established terms and conditions currently applied to financial agents of the United States.

The Treasury will notify the Financial Institution if its response is selected, rejected, or requires further information. However, the Treasury shall have no requirement to discuss the reasons, in either general or specific terms, that the Financial Institution’s response was not accepted or that the selection process may have been terminated.

XI. CONFLICTS OF INTEREST MITIGATION

Financial Institutions selected under this notice will be required to address and manage any actual or potential conflicts of interest to the satisfaction of the Treasury. Prior to entering into a Financial Agency Agreement with the Treasury, the prospective Financial Institution will be required to provide the Treasury with sufficient information to evaluate any organizational or personal conflicts of interest. In addition, the Treasury and the Financial Institution must agree on a written mitigation plan documenting the actions or steps the Financial Institution will take to neutralize or mitigate conflicts identified by the Financial Institution or the Treasury, such as enacting and enforcing information barriers, being subject to certain transaction restrictions while in receipt of material, non-public information, or divesting assets that give rise to a conflict of interest. In addition, a Financial Institution that is selected under the notice will be subject to periodic certification requirements regarding its conflicts of interest as well as scheduled or ad hoc audits by the Treasury or designated representatives of the Treasury.

XII. AUTHORITY

The Secretary of the Treasury has statutory authority to designate Financial Institutions as financial

agents of the United States to perform reasonable duties as determined by the Secretary, pursuant to the Small Business Jobs Act of 2010. A Financial Institution, if designated to provide services pursuant to this notice, shall be financial agent of the United States, and not a contractor. Neither this notice, nor the services sought by the Treasury, is a procurement subject to the Federal Acquisition Regulation.

XIII. CONFIDENTIALITY

The Treasury considers any information provided to a Financial Institution in evaluating its response to this notice to be strictly confidential and must not be disclosed to any third party outside the Financial Institution's corporate organization, nor duplicated, used, or disclosed in whole or in part for any purpose other than to prepare a response. Under no circumstances shall any information received in connection with this notice be disclosed to any third party outside the Financial Institution's corporate organization without the express prior written consent of the Treasury. In addition, if selected to provide services pursuant to this notice, a Financial Institution will be required to strictly safeguard and protect any confidential information received in its role as asset manager, and will be strictly limited to using such confidential information solely for the purposes of fulfilling its duties to the Treasury.

XIV. RESERVATION OF RIGHTS

The release of this notice and the Treasury's receipt of any information or responses shall not, in any manner, obligate the Treasury to perform any act or otherwise incur any liabilities.

The Treasury assumes no obligation to reimburse or otherwise compensate a Financial Institution for expenses or losses incurred in connection with this notice.

The Treasury shall have the unlimited right to use, for any governmental purpose, any information submitted in connection with this notice.

The Treasury reserves the right to: (1) modify the requirements in this notice or withdraw this notice at any time; (2) decide not to select any Financial Institution; (3) reject a response without inviting the Financial Institution to submit a new response; (4) negotiate with and select any Financial Institution considered qualified; (5) request, orally or in writing, clarification of or additional information on a response; (6) waive minor informalities or irregularities, or a requirement of this notice; (7) accept any response in part or in total; and (8) reject a response that does not conform to the specified format or other requirements of this notice.

Any selection and designation of a financial agent pursuant to this notice shall be contingent upon and subject to availability of funding.