



U.S. Small Business Administration

# SBIC MANAGEMENT ASSESSMENT QUESTIONNAIRE AND LICENSE APPLICATION

## Form 2181

Name of Fund			
Date(s) of MAQ Submission(s) <sup>1</sup>			
Date of Application Submission			
Address			
Name of Principal Submitting MAQ/Application			
Telephone		Fax	
Email			

**SMALL BUSINESS INVESTMENT COMPANY PROGRAM  
INVESTMENT DIVISION  
U. S. SMALL BUSINESS ADMINISTRATION  
409 Third Street, S.W., Washington, DC 20416 Tel: (202) 205-6510**

The estimated burden for completing this form is 40 hours per response. You are not required to respond to any collection of information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to the US Small Business Administration, Chief, Administrative Information Branch, Washington, DC 20416 and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, DC 20503. OMB Approval 3245-0062. **PLEASE DO NOT SEND FORMS TO OMB.**

<sup>1</sup> If there has been more than one submission, include all dates.

Name of Fund	
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## DECLARATION OF PRINCIPALS AND CONTROL PERSONS

### Instructions and Applicability

- A. Be sure to fill in the Name of Fund above.
- B. This declaration is to be signed with the submission of an SBIC license Application (not with a Management Assessment Questionnaire).
- C. If any new principals or Control Persons (as defined in 13 CFR §107.50) are added to the firm after submitting your initial license Application, a declaration signed by the new principal or Control Person must be submitted to SBA.
- D. If a new principal or new Control Person is to be added to the SBIC after it is licensed, a declaration signed by the new principal or Control Person must be submitted to SBA.

### DECLARATION

1. We constitute all of the principals and Control Persons of the applicant and we certify that all information submitted in connection with SBA Forms 2181 and 2182 is true and correct to the best of the knowledge and belief of each one of us. We also certify that we are submitting this information for the purpose of obtaining a license to operate as, or approval of a change in the ownership or management of, a Small Business Investment Company (SBIC). We agree that all statements made in connection with the SBA Forms 2181 and 2182 are considered material for the purpose of inducing the SBA to issue a license, approve the management and ownership of the applicant, and to disburse SBA funds in reliance on such statements.

2. If this Application is approved, we will operate the SBIC in full conformity with the Small Business Investment Act of 1958, as amended, and SBA regulations. We understand that if a license is granted on the basis of this Application, this Application will become an agreement with the SBA within the meaning of 13 CFR 107.507. Accordingly, nonperformance is a violation of Section 107.507.

3. We understand that knowingly making a false statement in connection with this Application is a violation of Federal law and is subject to criminal prosecution and civil penalties under 18 USC 287, 371, 1001, and 1006; 15 USC 645 and 687(f); and 31 USC 3729.

4. We have not used and will not use, directly or indirectly, any funds advanced by any SBIC or any New Markets Venture Capital (NMVC) company to any small business concern, or any funds available as a result of funds advanced by an SBIC or NMVC

company to a small business concern, to purchase any securities of the SBIC or to repay any obligation incurred in connection with the purchase of any securities of the SBIC.

<b>Name of Applicant</b>		
<b>By</b> (entity authorized to sign on behalf of Applicant, e.g., general partner)		
<b>By</b> (signature of person authorized to sign)		
<b>Title</b>		<b>Date</b>

**INDIVIDUAL EXECUTION BY EACH PRINCIPAL AND EACH CONTROL PERSON**

Signature		
Printed Name		
Title		Date

Signature		
Printed Name		
Title		Date

Signature		
Printed Name		
Title		Date

Signature		
Printed Name		
Title		Date

## GENERAL INSTRUCTIONS

### INTRODUCTION

Applying for an SBIC license is a two-part process. It begins with completion of the *Management Assessment Questionnaire* (“MAQ”), which consists of this Form 2181, together with the exhibits in Form 2183. The MAQ is submitted to SBA by email at [sbic@sba.gov](mailto:sbic@sba.gov). SBA reviews these forms as the first step in its process of determining whether your management team has the qualifications necessary to manage an SBIC. If SBA believes that there is sufficient evidence that your team may have the qualifications to manage an SBIC, the entire team is invited to participate in an interview with the SBIC program managers who make up SBA’s Investment Committee.

After the interview, the Investment Committee again considers whether the management team appears to have the necessary experience and skills to manage an SBIC. If affirmative, you will be invited to submit a formal license application consisting of this form (updated from your MAQ submission if any information has changed), together with all of the Exhibits found in Form 2182.

Please note that Form 2183 (MAQ exhibits) is a subset of Form 2182 (license application exhibits). When you submit a license application, review the exhibits you previously prepared and submitted with your MAQ and update them if any information has changed.

While this questionnaire and the associated exhibits are extensive, they are designed to provide SBA with the information usually needed to make an evaluation of an applicant at the beginning of the licensing process. Also, the specificity of the questions should have the benefit of giving you insight into the requirements for being a successful SBIC.

When answering questions, provide enough information so that your answers are clear but **do not make them excessively long**.

### GETTING READY

Before you begin this Application, you should:

- Read the document, *“Is the SBIC Program Right for You?”* which can be found at [www.sba.gov/inv](http://www.sba.gov/inv), hyperlink *For SBIC Applicants*.
- Read the SBIC regulations found in Part 107 of title 13 of the Code of Federal Regulations (13 CFR Part 107), as well as 13 CFR 121.101 through 121.103 and 121.301, in order to assure yourself that you would be comfortable operating within the constraints of the SBIC program. (All of these regulations can be downloaded from [www.sba.gov/inv](http://www.sba.gov/inv), hyperlink *For SBICs*.)
- Check [www.sba.gov/inv](http://www.sba.gov/inv) to see that you are using the latest version of this Application. If you find that there is a later version than the one you have used for your MAQ or Application, and if you have already answered questions, you can perform a “compare documents” (located under the “Tools” menu item of Word) and then just cut and paste the necessary changes.

- Read these *General Instructions* carefully. For assistance with any questions during the preparation of your responses, send an email to [sbic@sba.gov](mailto:sbic@sba.gov) and include a phone number where you can be reached.

The SBIC Application, including the MAQ, consists of three forms that are available electronically in a combination of Word and Excel. You can obtain the files either from the web site [www.sba.gov/inv](http://www.sba.gov/inv) under *For SBIC Applicants* or by sending an email to [sbic@sba.gov](mailto:sbic@sba.gov). The three forms are:

- ◆ *Form 2181, SBIC Management Assessment Questionnaire and License Application Part I.*
- ◆ *Form 2182, Part II, Exhibits to Small Business Investment Company License Application*, which contains all of the exhibits required to file a complete Application.
- ◆ *Form 2183, Part III, Exhibits to Small Business Investment Company Management Assessment Questionnaire*, which is a subset of Form 2182 including only those exhibits that are filed as part of the MAQ.

## RESPONDING

***Use of the term "SBIC"***. This term refers to a proposed SBIC if you are submitting a MAQ or a formal license application; it can refer to an existing SBIC if you are applying for a change of management or change of control.

***Use of the term "principal"***. The term *principal* is used throughout the Application. It refers to any individual who engages or proposes to engage in the management of the applicant, and customarily includes officers and directors of a corporation, general partners of a partnership, and managers of a limited liability company. However, it may also include other individuals, especially if they have either a vote or a veto in the investment decision. **Whether one qualifies as a *principal* is based upon authority, responsibility, and actions. Title is not determinative**, and in its sole discretion, the SBA may determine that a person with a relationship to the SBIC is a principal.

***Read the regulations first.*** When the Application refers to specific sections of SBA regulations, you should read those particular sections of the regulations before trying to answer the question.

***Defined terms.*** Where you find words capitalized that are normally not capitalized in ordinary usage, it usually indicates that this is a defined term with a specific meaning within the SBA regulations. For example, in answering the questions, you will often find the term *Associate*. This term, which describes certain categories of related parties, is defined in 13 CFR 107.50 and should be read carefully.

***Think things through.*** Give careful thought to the questions concerning your investment strategy. If you receive a license, we expect you to operate in a manner generally consistent with what you proposed in your Application. If you plan to seek SBA leverage, the kinds of investments you propose to make should be consistent with the type of leverage you intend to issue. For all licensed SBICs that have leverage or

leverage commitments from SBA, we perform an annual assessment of the operations and management, just as a bank performs an annual review for a revolving credit line. In addition, if your SBIC has outstanding leverage, an SBA examiner will be visiting you approximately once every 12 months (non-leveraged SBICs are examined about every 24 months). In both the annual review and the examination, SBA is concerned not only with regulatory compliance, but also with whether a deviation from the SBIC's original business model has resulted in an increased level of credit risk.

Leveraged SBICs receive a multi-year leverage commitment from SBA. While this commitment is considered to be an obligation of the U.S. Government, it is nonetheless a conditional commitment — conditioned upon your SBIC remaining in regulatory compliance.

### SUBMITTING THE MAQ

1. When you are ready to submit the MAQ, insert the *Date of Submission* in the header.
2. Then, delete all the General Instructions beginning from page 4 through page 8.
3. Have each principal sign his or her Exhibit D (see SBA Form 2183).
4. Submit Forms 2181 and 2183 as email attachments to *sbic@sba.gov*. Please zip large files using WinZip or another compatible program. In addition, send two printed copies of the forms, plus 2 copies of your private placement memorandum or prospectus to:

Chief Administrative Officer  
Investment Division  
U.S. Small Business Administration  
409 Third Street S.W., Suite 6300  
Washington, D.C. 20416

**Please note that a failure to include all requested information may cause SBA to return your MAQ.**

Within five to seven working days, acknowledgement of receipt of the materials will be emailed to you, also giving you the name of the analyst assigned to your Application, and advising you of the timing for the next steps in the process.

### SUBMITTING A FORMAL LICENSE APPLICATION

**Updating information.** When getting ready to submit your Application, **please update any information that has changed since the time you submitted the MAQ.** If there has been a change from the MAQ in your response, at the beginning of your answer insert the word [CHANGE]. (Include the square brackets.) **Please note that a failure to include all requested information may cause SBA to return your Application.**

In addition, during the licensing process, **notify SBA promptly of any changes to your**

**application, including any changes to your legal documents or other exhibits.**

**Signatures on Application.** All principals of an applicant must sign the Declaration found on page two of this Application. Please be aware that by signing this Declaration, you will be subjecting yourself to potential criminal penalties, not just civil penalties, for certain violations of law or of regulations.

**Signatures on Exhibits.** All required persons must sign Exhibits C, D, H, I and J. Exhibit M (Capital Certificate) does not have to be signed at the time the application is submitted, but must be signed by a principal before the application is presented to the Agency SBIC licensing committee. A pro forma Capital Certificate submitted with the license application must be accompanied by signed subscription agreements showing that the minimum Regulatory Capital requirement has been met.

**Date of Submission.** Insert the *Date of Submission* in the header.

**What to include:**

1. An original and two copies of the Application and Exhibits, with each set in a 3-ring binder tabbed to identify each section or exhibit.
2. Electronic versions of certain documents, which may be submitted as email attachments, on standard IBM formatted 3½" diskettes or on a CD. These include Form 2181 (the Application) and portions of Form 2182 (those Exhibits which are in electronic format). These must be in *Word* format, except for Exhibits F (Experience of Principals) and N (Forecast), which must be in *Excel* format. Please zip any file that is too large to fit on a single diskette.
3. A check for the correct application fee as found in 13 CFR 107.300, payable to the *U.S. Small Business Administration*.

Send the entire package to

Chief of Licensing  
Investment Division  
U.S. Small Business Administration  
409 Third Street S.W., Suite 6300  
Washington, D.C. 20416

**FORMATTING THE RESPONSES AND USAGE OF THE ELECTRONIC FILES**

1. First, upon opening any of the electronic files obtained from SBA, save the file under another filename that includes the name of your fund.
2. Next, in the header, substitute your fund's name for *Name of Fund*.
3. Answering questions.
  - ◆ Begin each major numbered section at the top of a new page.
  - ◆ Insert the answers in the space following each question, unless the instructions require you to respond in a separate table or exhibit. Your response should begin in a separate paragraph under the question.

- ◆ If a question is not applicable, write “N/A”. Unless otherwise specifically directed, no questions should be left blank.
  - ◆ Always leave a blank line both before and after your answer to a question. (If the response is “N/A”, these extra lines for readability are not necessary.)
  - ◆ Please note that the questions are in “Arial 11 pt.” typeface, and the spaces between the questions which are for your answers are designed to be in “Times New Roman, 12 pt.” typeface, except for some tables which are in “Arial Narrow”. By utilizing different typefaces, the responses are much easier for us to read. *Please ensure that your narrative responses are in 12 pt. Times New Roman or Times Roman, and that both the questions and the responses remain in a “normal” typeface and are not set in bold.*
  - ◆ Where boxes are provided, change the column widths if you desire; the boxes expand vertically as you type.
  - ◆ Ensure that tables do not break across pages, unless the table exceeds one page in length.
5. Provide all applicable exhibits. If an exhibit does not apply to you, enter “*Not Applicable*” on the exhibit page so that we know it was not overlooked.
6. If you wish to provide supplemental information for a particular question, you may attach it as Exhibit L. In the Exhibit, be sure to identify the question being referenced.

#### **YOUR FINAL TASKS**

Carefully re-read these instructions as you review your entire Application to ensure that you have followed each instruction before you submit anything. Don't rely upon any advisor to do this for you. As you proceed and are satisfied that you have followed each instruction completely, check it off. Then delete these instructions.



# SBIC MANAGEMENT ASSESSMENT QUESTIONNAIRE AND LICENSE APPLICATION

## SECTION 1. CONTACTS & KEY INFORMATION

<b>101. Full Legal Name of Fund</b>	
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Table 102. Addresses	
Address of Main Office	Address(es) of Branch Office(s)
<b>URL →</b>	

103. For each principal, provide the following.

Full Name		Nickname (if any)	
Business Tel. No.		Home Tel. No.	
Business Fax. No.		Home Fax No.	
Business Email		Home Email	
Business Address		Home Address	
Primary work city if different from above			
U.S. Citizen		If you are not a citizen of the U.S., are you a permanent resident alien?	
Yes <input type="checkbox"/>	No <input type="checkbox"/>	Not Applicable <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

Full Name		Nickname (if any)	
Business Tel. No.		Home Tel. No.	
Business Fax. No.		Home Fax No.	
Business Email		Home Email	
Business Address		Home Address	
Primary work city if different from above			
U.S. Citizen		If you are not a citizen of the U.S., are you a permanent resident alien?	
Yes <input type="checkbox"/>	No <input type="checkbox"/>	Not Applicable <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

Full Name		Nickname (if any)	
Business Tel. No.		Home Tel. No.	
Business Fax. No.		Home Fax No.	
Business Email		Home Email	
Business Address		Home Address	
Primary work city if different from above			
U.S. Citizen		If you are not a citizen of the U.S., are you a permanent resident alien?	
Yes <input type="checkbox"/>	No <input type="checkbox"/>	Not Applicable <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

Full Name		Nickname (if any)	
Business Tel. No.		Home Tel. No.	
Business Fax. No.		Home Fax No.	
Business Email		Home Email	
Business Address		Home Address	
Primary work city if different from above			
U.S. Citizen			
If you are not a citizen of the U.S., are you a permanent resident alien?			
Yes	No	Not Applicable	Yes No

103.1 (For a *first* submission only, answer this question with “N/A”.) Since the submission of the initial MAQ, give the names of any deletions of principals from the management team and the reason(s) why. Identify which individuals, if any, have been added, and give a one or two sentence rationale for the addition.

103.2 If all of the principals listed above who will be every day active fund managers are not currently in the same metropolitan area, please discuss what the geographic locations of the principals will be after licensing, and also any proposed changes in the locations of offices (city, state).

104.

Table 104.1 Basic SBIC Fund Data				
State the number of tiers of each type of leverage you contemplate using or check “None”.				
Participating		Debenture		None
Private Capital to be Raised	Minimum to close	Maximum	Most Likely	
	\$	\$	\$	
Total commitments subscribed for to date:				\$
Total capital invested to date <sup>2</sup>				\$
Capital at first closing (if completed, otherwise “N/A”)				\$
First Closing Date	Anticipated		Actual	
Final closing date	Anticipated		Actual	

Table 104.2 Current Status of Fundraising	
Type of Investor	Commitments
Principals	\$
Entity Institutional Investors – Definition §107.50	\$
Individual Institutional Investors – Definition §107.50	\$
Others	\$
<b>Total</b>	\$

105. If this is a MAQ submission, state the general categories of anticipated sources of

<sup>2</sup> Please note that investments that are made before an SBIC Application has been formally accepted by the Investment Division of the SBA cannot be included within Regulatory Capital.

investment funds and their percentages. If this is a license Application, provide the current breakdown and the anticipated ultimate percentages upon receiving a license. Examples of categories might be wealthy individuals, strategic investors, non-strategic corporations, pension funds, etc. Also, indicate, by category the percentages that might be, or are, foreign. If the SBIC is to be a drop-down fund from a venture fund, Table 105.1 should show the parent fund as the primary shareholder, Table 105.1 should then be duplicated as Table 105.2 which shows the Categories of Fund Sources of Capital for the parent fund.

<b>Table 105.1 Categories of Fund Sources of Capital</b>				
<b>Categories</b>	<b>MAQ Forecast</b>	<b>License Submission</b>		<b>Foreign<sup>3</sup></b>
		<b>Current</b>	<b>Ultimate</b>	
Principals (up to 1%) <sup>4</sup>	%	%	%	%
	%	%	%	%
	%	%	%	%
	%	%	%	%
	%	%	%	%
	%	%	%	%

106. *Diversity and Status of Fund-Raising.* For leveraged SBICs, Management and Ownership Diversity is a critical issue, so ensure that you understand it very well. (See §107.150, also §107.50, definitions of *Associate* and *Institutional Investor*, and §121.103 for a discussion of *Affiliation*.) When submitting this form as a MAQ, please fill in the tables below. Non-leveraged applicants can delete the table and enter “N/A”. When submitting a License Application, delete the table and substitute “See Exhibit M”. (If you require assistance in interpreting the regulations and understanding this issue, please discuss this topic with an SBA staff person.)

<b>Table 106. Diversity Estimates (MAQ Submission)</b>			
	<b>Min.</b>	<b>Target</b>	<b>Max</b>
<b>Potential Size of Fund (Private Capital)</b>	\$	\$	\$
<b>Percent ownership by principals</b>	%	%	%
<b>Diversity owners – percent ownership</b>	%	%	%
<b>Diversity LPs – number</b>			

107. *Instructions.* (a) If you are not currently employing someone in one of the four categories, or have not yet made a selection, enter “N/A” or “Not yet selected” or other appropriate comment in the “Name” box. (b) In addition to the contact information called for in the tables that follow, directly below the applicable table, if a person/group/entity has made any contributions (either non-financial or financial) entitling the entity to any type of equity or economic participation in the SBIC, very briefly describe the nature of such contribution. (c) If more than one entity is used in any category, please duplicate

<sup>3</sup> The percentage should be as a percent of the 100% total funds on the given line item.

<sup>4</sup> If the capital contributions of the principals collectively exceed 1%, use a separate line for the contribution of each principal.

the appropriate table.

Law Firm			
Firm Name		Key Contact	
Address		Direct Ph. No.	
		Fax Number	
		Email Address	

Accounting Firm			
Firm Name		Key Contact	
Address		Direct Ph. No.	
		Fax Number	
		Email Address	

Other than those listed directly above, include all other persons or entities that will be compensated for assisting you in any manner to obtain an SBIC license, to obtain deal flow, or to obtain investment capital.

Consultant			
Firm Name		Key Contact	
Address		Direct Ph. No.	
		Fax Number	
		Email Address	

Placement Agent			
Firm Name		Key Contact	
Address		Direct Ph. No.	
		Fax Number	
		Email Address	

107.1 Briefly describe the duties called for by any placement agreements. State who will be responsible for payment of placement agent compensation, the basis for compensation, and how and when such compensation will be paid.

108. For any of the parties listed in question 107, describe the nature of any “affiliations” or “associations” between such parties and the SBIC or its principals. (See §121.103 for a discussion of *Affiliation* and see §107.50 for the definition of *Associate*.)

109. Summarize the projected and/or incurred organizational expenses and Management Expenses you expect to incur in connection with obtaining a license, and through the entire licensing process.

Table 109 Licensing Expenses			
Source	Amount Paid	Amount Accrued	Total Projected
Legal	\$	\$	\$
Accounting	\$	\$	\$

<b>Consulting</b>	\$	\$	\$
<b>Placement</b>	\$	\$	\$
<b>License Fee</b>	\$	\$	\$
<b>Organizational</b>	\$	\$	\$
<b>Management Expenses</b>	\$	\$	\$
<b>Other</b>	\$	\$	\$
<b>Totals</b>	\$	\$	\$
<b>Grand Total</b>			\$

110. *Experience Working Together. Instructions.* For persons listed in Question 103, fill in Table 110.1 as shown in the example (which of course should be deleted). Fill in Tables 110.2 and 110.3 similarly, and add lines and expand boxes as needed.

<b>Table 110.1 – Experience Together in a Private Equity Fund (Insert Overlapping Dates)<sup>5</sup></b>					
<i>Abracadabra Fund</i>	King Arthur	Merlin	Sir Launcelot		
King Arthur	X				
Merlin	12/570 - 04/573	X	5/571 – 3/573		
Sir Launcelot	2/571 – 4/576		X		
				X	
					X

<b>Table 110.2 – Experience Together in Other Types of Companies</b>			
<b>Company Name &amp; Business of Entity</b>	<b>Persons</b>	<b>Persons</b>	<b>Overlapping Dates</b>

110.3 At the entities described in Table 110.2, describe the nature of the working relationships.

<b>Table 110.4 – Other Experience Working Together</b>			
<b>Nature of Interaction</b>	<b>Person</b>	<b>Person</b>	<b>Overlapping Dates</b>

110.5 At the entities described in Table 110.4, describe the nature of the working relationships.

<sup>5</sup> If multiple funds were involved, name all relevant funds in the upper left hand cell. If more than five principals, add columns and rows as necessary and turn top row of names so they are facing right, if desired.

111. State the percentage of time that each of the principals will devote to the SBIC (a) 90 days after licensing, (b) 18 months after licensing, and (c) during the years subsequent to the third year.

<b>Table 111. Percentage of Time Devoted to SBIC</b>			
<b>Principal</b>	<b>90 Days</b>	<b>18 Months</b>	<b>Subsequent Years</b>
	%	%	%
	%	%	%
	%	%	%
	%	%	%

112. *Carried Interest.* In the table below, list every person or entity which has a carried interest in the profits of the SBIC (parent if a drop-down fund), general partner, or management entity and the amount of such person or entity's carried interest. For persons or entities other than principals, identify the nature of the party. If you plan to set aside part of the carried interest for associates or other employees, under the "Others" category, you may list this as a category rather than by name, if you desire.

<b>Table 112. Carried Interest</b>		<b>Total Points in Carry →</b>	
<b>Managing Principals</b>	<b>Points</b>	<b>Others</b>	<b>Points</b>
<b>Totals</b>			

**SECTION 2. INVESTING**

**INSTRUCTIONS.** In this section, unless otherwise stated, limit the narrative for each question or sub-question response to 8 lines, 12 pt. Times Roman, using the pre-set margins. Where other limits are indicated, please stay within them. If there are boxes provided for a response, and no questions follow, please do not add information.

**INVESTING CRITERIA**

201. Please provide a summary of your fund’s focus, why you have this focus, and what you bring to venture investing that is special or unusual. (This is your “elevator speech”).

202. Approximately, what percentage mix do you anticipate between being a sole investor, a lead investor, or a co-investor?

<b>Sole Investor</b>	%	<b>Lead Investor</b>	%	<b>Co-Investor</b>	%
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203. *Investment Strategy.*

203.1 Provide what the ideal dollar distribution of your investments would be at the time when you would have completed the investing cycle for your fund,. (This is not a specific scenario that you will be expected to be held to, but reflects your goals at the current time.)

Table 203.1 – Ideal Dollar Weighted Investment Scenario								
Technology	Life Sciences	Healthcare	Manufacturing	Distribution	Service	Consumer Products & Retail	Other	Total
%	%	%	%	%	%	%	%	100%

(Take up to a page for the combined answers to the following four questions.)

203.2 Is the investment strategy of your fund primarily thematic (industry-oriented) or primarily opportunistic (targets of opportunity), or some mixed approach? Discuss the rationale for the approach you have chosen.

203.3 If you have industry preferences, state what they are and why you have these preferences.

203.4 Provide the industry sectors, if any, in which you most likely would not invest.

203.5 Discuss any unique elements of your investment strategy that could help to reduce risk.

204. *Life Cycle.*<sup>6</sup>

204.1 In the table below, give the anticipated distribution of investment dollars by life cycle stage of portfolio company investments<sup>7</sup>. (Note that, for this table, in the case of seed and early stage investing, follow-on investments would still be classified as “seed” or “early stage”.)

Table 204.1 Prospective Distribution of Investment Dollars by Percentages in Life Cycle of Companies					
Seed	Early-Stage	Expansion	Later Stage	Change of Control	Turn-around
%	%	%	%	%	%

204.2 Give a range, by revenue, by cash flow, by pre-tax, or by after-tax profits, of the sizes of businesses you are most likely to consider financing.

205. Answer the following questions regarding the environment at the time of the filing of the MAQ. When filing an Application, change your responses to questions 205 through 207, if appropriate.

205.1 How would you characterize the current economic environment and what is your estimate for the economic climate 12 months from now? (Please use no more than 6 lines.)

205.2 Identify specific current economic and/or stock market factors that can affect your investing style both positively and negatively, and cite some of the key advantages and disadvantages of investing in the current economic and stock market environment. (Use up to 10 lines for this answer.)

206. In the light of the answers provided in question 205, assume that you are now in an economic and stock market environment that’s different (perhaps the opposite) from that selected . Describe the environment you are choosing. (Limit your answer to 4 lines.)

207. Based on the nature of your response to question 206, discuss how the investment strategy and criteria for investments in the future might differ from that described in

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<sup>6</sup> These are the definitions of the different lifecycle stages. **Seed Stage.** The initial stage. The company has a concept or product under development, but is probably not fully operational. Usually in existence less than 18 months. **Early Stage.** The company has a product or service in testing or pilot production. In some cases, the product may be commercially available. May or may not be generating revenues. Usually in business less than three years. **Expansion Stage.** Product or service is in production and commercially available. The company demonstrates significant revenue growth, but may or may not be showing a profit. Usually in business more than three years. **Later Stage.** Product or service is widely available. Company is generating on-going revenue; probably positive cash flow. If not profitable, usually likely to be within 12 months. **Change of Control.** Leverage buy-outs or management buy-outs such as spin-outs of operating divisions of public companies and ownership succession of private companies. **Turnaround.** Investment is made into a company that is failing, with the goal of making major operational and structural financial changes and achieving profitability. May include working with companies that are in bankruptcy or pre-bankruptcy.

<sup>7</sup> For the basis of these percentages, you may assume up to 200% leverage if your SBIC intends to utilize leverage.



questions 203, 204, and 205. In your discussion, please be very focused and specific, and be sure to clarify the distinctions or differences. (You may reproduce Table 204.1 as Table 207.1 if your lifecycle mix would be different, and take up to 16 lines [excluding any table] to discuss this issue.)

208. List the geographic areas in which you expect to have your portfolio invested, with associated percentages. (This is only expected to be an approximation.)

209. For your target markets, what are the most salient risk factors *specific to your investing strategy*, especially regarding the types of companies in which you plan to invest? (For example, you may want to discuss any particular risks in your exit strategies or from having geographic concentration, but please do not discuss the universal risks of venture investing such as “management” or “the economy”.)

210. Taking into account the benefit of leverage, if any, if you are “selling” an IRR range to your potential investors, what is it?

<b>IRR Range Before Carry</b>		<b>After Carry</b>		<b>Not Selling A Range</b>	
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211. From the standpoint of your investing strategies, discuss from where you anticipate the increases in the value of your portfolio will derive. In some way, try to assign the relative importance attributable to each factor, e.g., growth in sales, greater efficiencies, gross margin improvements, improved capitalization, p/e multiple expansion, or product commercialization, etc. (If you wish to quantify the relative importance of each factor, please do so, but this is not necessary. Take up to ½ page for this response.)

**FINANCINGS AND EXITS**

212. Discuss the anticipated holding periods for your investments.

213. Pricing a deal.

213.1 When you are pricing a deal, what is your targeted IRR? If you have different targets for different types of financings, so indicate.

213.2 Discuss how you price a deal where the company has earnings. Use an example if it would clarify your methodology. (Take up to ½ page.)

213.3 Discuss how you price a deal without positive earnings. Use an example if it helps to clarify your methodology<sup>8</sup>. (Take up to ½ page.)

213.4 Do you contemplate doing milestone financings? If “yes”, under what circumstances. Also, briefly state the key types of criteria you would establish for milestones.

213.5 Assuming that you are not doing a milestone financing, when you do your

<sup>8</sup> If you don’t plan to finance companies that do not have positive earnings, enter “N/A”.

typical first financing for a company, do you generally plan on doing subsequent rounds, or would that be an exception? If you usually plan on subsequent rounds, is there some typical percentage that you contemplate relative to the first round, or is there some absolute dollar amount that you generally reserve? (If you plan on doing *exclusively* seed or early stage financings, enter “See 219”, and respond to that question instead.)

214. Describe how you typically structure a financing. Include a description of the types/characteristics of securities you will utilize to make investments. If you intend to make loans, discuss the types of loans that would you make and the interest rate ranges that you propose to use, based on today’s interest rate climate. If you get an equity “kicker” or expect to utilize royalties, describe the nature and magnitude of the most typical kicker, and/or the magnitude of the royalties, citing typical percentages, the basis for calculating them, and typical terms. (See §107.855[g][12]. Take up to 16 lines for this response, and in Exhibit P, include one or two representative term sheets.)

215. Based on the full amount of leverage you anticipate obtaining, fill-in this Table.

Table 215 – Anticipated Allocation of Types of Financings by Percentage	
Equity Securities — §107.800(b)	%
Debt Securities — §107.815(a)	%
Loans — §107.810	%

216. Do you propose to make loans or do debt financings?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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If no, leave the balance of this question blank.

216.1 Looking back upon your portfolio as if your fund had been terminated, use Table 216.1 to create a probable scenario of what a schedule of write-offs may look like, based on dollar volume.

Table 216.1 – Schedule of Potential Debt Losses					
	Total Debt	100% Loss	% Loss	% Loss	% Loss
Number of Debt Financings					
Average Financing Size <sup>9 10</sup>	\$	\$	\$	\$	\$
Total \$	\$	\$	\$	\$	\$

216.2 Briefly explain the basis is for the estimates you gave in Table 216.1

217. Based on the most likely ultimate fund level (**including the full amount of SBA leverage that you intend to utilize**),

217.1 State the ultimate number of portfolio companies (not financings) anticipated, and, picking the midpoint of various ranges of company investment sizes, how would you expect to have your investments distributed by *total* amount per company? Give

<sup>9</sup> Average Financing Size may be the same for all columns.

<sup>10</sup> Use “K” for thousands and “M” for millions.

a table with the smallest first and the largest last. Please refer to §107.740 for leveraged funds and §107.1000(a)(1) for unleveraged funds.

Table 217.1 Projected Distribution of Sizes of Company Financings					
<b>\$ Size Range<sup>11</sup></b>	\$ - \$	\$ - \$	\$ - \$	\$ - \$	\$ - \$
<b># Companies</b>					
<b>Total \$ Amount</b>	\$	\$	\$	\$	\$

217.2 Over the first five years after being licensed, plus the pre-licensing period, indicate the number of financings (including follow-on investments) that you expect to make, by year, and the aggregate dollar amounts.<sup>12</sup>

Table 217.2 Projected Distribution of Financings							
Year	Pre-Licensing	1	2	3	4	5	Totals
<b># Financings<sup>13</sup></b>							
<b>\$ Amount</b>	\$	\$	\$	\$	\$	\$	\$

218. Based on the length of time for being “fully invested”, at the end of that period, are you planning to hold part of your fund in reserve for follow-on investments, for management fees, or for other contingencies? If “yes”, provide the relevant data below.

Table 218 – Reserves	Yes	No	Ratio Private Capital \$ to Leverage <sup>14</sup>		
<b>Private Capital Base<sup>15</sup></b>	\$	Private Capital \$	\$	Leverage \$	\$
<b>% of Total Fund in Reserve</b>	%	Private Capital <sup>16</sup> %	%	Leverage % <sup>17</sup>	%

219. Seed and early-stage investing

219.1. Based on Table 203, if you do *not* intend to do seed or early stage investing, check this box and leave the balance of this question 219 blank.

**Not Applicable** →

219.2 In the table below, show the most *typical* progression of each financing round, indicating total size and your share of each round.

Table 219.2 Progression of Investing by Financing Round					
Round Number	Seed Round	A Round	B Round	C&D Rounds	Total

<sup>11</sup> Use “K” for thousands and “M” for millions.

<sup>12</sup> In filling out this table, please note that customarily the SBA will only advance one-half tier of leverage until the first examination has been held, which will be sometime within the first 12 months after being licensed. Therefore, you should factor this constraint into your forecast.

<sup>13</sup> Number of financings, not number of companies financed.

<sup>14</sup> This solely refers to the reserve ratio.

<sup>15</sup> Most likely Private Capital base.

<sup>16</sup> As a % of total Private Capital.

<sup>17</sup> As a % of total planned Leverage.

<b>Round Size</b>	\$	\$	\$	\$	\$
<b>Your %</b>	%	%	%	%	%
<b>Your \$</b>	\$	\$	\$	\$	\$

219.3 In funding early-stage investments through one or more rounds, do you primarily expect to fund to the point at which a portfolio company achieves positive cash flow from operations, or do you expect to primarily fund to an exit, whether a merger or an IPO? If you are not planning on funding to a cash flow positive stage, coherently explain why you think that you could achieve profitable exits and your strategy is not excessively risky. (Take up to ½ page for this answer.)

219.4 What is your attitude about investing in a round where angel investors predominate?

219.5 In a syndication, do you have any biases either towards participating predominantly with very large venture funds or with smaller to medium-sized funds? Explain your views.

219.6 Explain how you plan to deal with the venture industry practice, that in later financing rounds, other venture capitalists dilute earlier stage investors. (Take up to ½ page for this answer.)

220. Forecasted exits from investments<sup>18</sup>.

<b>Table 220. Distribution of Exit Mechanisms Projected</b>					
<b>Sales/ Mergers</b>	<b>IPOs</b>	<b>Recaps &amp; MBOs</b>	<b>Distress Exits</b>	<b>Loan Payback</b>	<b>Total</b>
%	%	%	%	%	%

220.1 Discuss why you think that the chosen exit strategies are appropriate for your investment strategies. (If relevant, discuss how they may differ from those utilized for prior funds.)

221. Your exit strategies may be different during a difficult economic or stock market environment. If so, what would the differences be? How would this affect your timing and returns? (Take up to 14 lines.)

**REGULATORY & POLICY ISSUES OF INVESTING**

222 if you are planning to be leveraged, are you aware that the “overline” limitations found in §107.740 of the SBA regulations limit your maximum investments in any single company (or a group of related companies) to 20% of your Regulatory Capital, unless you receive permission from the SBA to exceed this limit. (Please review SBIC Tech Note #9.)

**Yes**
 **No**
 **N/A (Unleveraged)**

<sup>18</sup> If you include “Loan Payback” in your answer, the percentages can add up to over 100%.

223. To what extent will special groups of businesses be targeted, e.g., ethnic groups, women, rural, inner city, etc.? Are there any unique features of your SBIC that SBA should consider from a public policy perspective?

224. In accordance with Section 301(c)(3) of the Small Business Investment Act of 1958, as amended, discuss *fully* the economic *need* for your fund in the geographic region(s) in which you intend to invest.<sup>19</sup> (Take up to 2/3 page for this response.)

225. Discuss how your investment strategies will allow you to operate within the Cost of Money regulations as found in §107.855.

226. Discuss why you believe that you can comfortably operate within the redemption provisions as found in §107.850.

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<sup>19</sup> The relevant section reads: “In reviewing and processing any Application under this subsection, the Administrator...(B) shall take into consideration (i) the need for and availability of financing for small business concerns in the geographic area in which the applicant is to commence business...”

**SECTION 3. OPERATIONS, DECISION-MAKING AND OVERSIGHT**

**INSTRUCTIONS.** In this section, unless otherwise stated, limit the narrative for each question or sub-question response to 8 lines, 12 pt. Times Roman, using the pre-set margins. Where there are exceptions to the 8 line limit, please do not exceed the specific sizes that are designated. If there are boxes indicated for a response, and no questions follow, please do not add information.

**DEAL FLOW**

301. After your first year of operations, per annum, how many business plan submissions or PowerPoint presentations that fall somewhat within your investing space do you expect to receive?

302. If you are receiving business plans at the current time, what is the approximate level? (Indicate per month or per year).

<b>Current Flow</b>	<input type="text"/>	<b>Not receiving a representative flow of plans at this time →</b>	<input type="text"/>
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303. If the principals are now operating a fund or equivalent, of all of the business plans that have been received, plus any investments that you may have seriously considered without initial business plans, in what percentage has the fund invested? Also, state the approximate time period that this response encompasses.

304. Discuss your primary marketing programs or strategies. (Take up to 10 lines.)

305. Do you plan to pro-actively seek companies in specific industries? If “yes”, in 5 lines or less, describe such activities.

306. After filing an Application or after being licensed, describe the changes you expect in your deal flow and why it will change (if you expect it to).

307. Among the principals, how will the responsibility for deal generation be allocated?

308. Describe your procedures (existing or proposed) to log deal flow. If your procedures are computerized, describe the software that you use or intend to use.

309. Describe your existing or proposed procedures for the processing of proposals. Topics covered should include: (a) who reads each plan at different stages in the evaluation process; (b) how you decide with whom to meet; (c) how long it normally takes you to respond indicating interest or not; (d) how many principals and/or associates meet with the prospect; (e) if you have a preference for where the first meeting takes place; (f) how the decision to proceed is made and what the criteria are, and (g) how the entrepreneur is notified of the go/no-go decision? (It is not necessary to utilize this specific outline, but utilize an outline format and include all elements in your

response. Take the space required to answer this question, but *concentrate on the actions taken relative to your criteria*. You will have answered questions on the philosophy of investing elsewhere in this document.)

**STAFFING**

**310. Activities and span of attention.**

310.1 When your portfolio is at its peak, how many companies do you contemplate being invested in, and by the time you have invested in your last company, in total, ultimately into how many companies do you think you will have invested?

<b>Peak</b>		<b>Ultimate</b>	
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310.2 How active in portfolio companies is it planned that the principals will be? Discuss when board seats and board committees will be sought, and when you would consider observer rights to be sufficient.

310.3 At your peak, how many companies per principal do you contemplate for oversight, and how many board seats per principal do you contemplate? (You may answer this either on the basis “average per principal” or by principal name if there would be a measurable difference between principals.)

310.4 For each principal, how many board seats (including both corporate and non-corporate) are now occupied, and what will the drop-off be, if any – over what period of time? Explain why there will or will not be a drop-off. (Take the space required.)

311. Beyond the customary “free” advice provided by venture capitalists, discuss the extent of any consulting services or active management you will provide. Specifically, identify areas in which you expect to supply expertise. (When answering this question, please do not discuss the typical activities performed by all VCs such as strategic planning, recruiting management, and arranging financings and exits.)

311.1 Do you expect to charge for any of these services? If so, provide the basis and the approximate contemplated rates. (See §107.900.)

312. Do you intend to employ a full-time or part-time CFO? If so, will this person be a principal? (If this person is identified prior to licensing, it will be necessary to provide relevant exhibits as determined in Exhibit B as part of the License Application.)

313. Assuming a period 18 months after receiving a license, describe the anticipated staffing of the management entity of the SBIC, either a separate company or the SBIC itself if there is not a separate investment advisor/manager. Give the title, and very briefly the duties in four lines or less. You may answer this by category or by person (or a mix). Indicate the number of positions (No.), the number which have already been hired (H) those who have already been identified but not yet hired (ID) and, using a location key, the geographic location of Principals and staff (Loc)<sup>20</sup>.

<sup>20</sup> If there are more than two locations, add additional location cells at the bottom of the table. If a class of person is in more than one location, use a separate line for each location, and for principals, identify by

Table 313. Staffing					
Title	Duties & Compensation Ranges	No.	H	ID	Loc
Principals					
<b>Totals</b>					
Location Key					
1	[City, State]	2	[City, State]		

314. Other than the investment advisor/manager, discuss the types and extent of services performed for the SBIC by any affiliated entity and the compensation arrangements. (Take up to ½ page to answer this question, or state “N/A” if not applicable.)

315. Advisors. (Take up to ½ page for all of 315.1 and 315.2, plus the additional space required for bios in 315.3, using no more than ¼ page per person.)

315.1 List all corporate, advisory or governance boards or committees to be utilized by the SBIC, and describe their contemplated roles, duties, and responsibilities. Describe how and why the members of any such boards or committees are selected. (If none are contemplated, so state and leave the balance of this question blank.)

315.2 Describe any compensation or portion of the carry being paid or allocated to any persons within the scope of this paragraph.

315.3 Insofar as persons have been selected for such committees or boards, provide their names, affiliations and very brief biographies.

316. State the amount of square footage of office space that you expect to occupy 18 months after being licensed and the anticipated rent per square foot. Also, discuss any office sharing arrangements that are planned.

**DUE DILIGENCE AND DECISION-MAKING**

317. Describe your due diligence procedures, specifically indicating the type and extent of your inquiries and research. Indicate how this responsibility is allocated among principals, staff, committees, personnel from affiliated organizations, and outside consultants. (Take up to a page, and *focus on actions*, not philosophy. Also, please do not duplicate the responses provided elsewhere in this document. In Exhibit P, include any due diligence checklists, questionnaires, internal reports or financial models, and investment committee documents that you utilize. Please include no more than one example of each category of document.)

\_\_\_\_\_ name in each location.



318. If you intend to use outside consultants in your due diligence process, state in which categories of expertise they will be used. If there are ones that have been used in the past or whom you have identified, for each firm, provide the company name, name of the key contact, address and telephone number. Also, provide the approximate average cost per project (company) for which each firm will be utilized, how many times per year, on average, you would anticipate using each firm, and usage over prior years.

Table 318 – Consultants Utilized			
Firm Name		Key Contact	
Key Contact		Direct Ph. No.	
Area of Expertise		Address	
Avg. Cost/Co., Person or Engagement		Avg. Times/Yr. Utilized	
Number of Times Used in the Past		No. Years This Covers	

Table 318 – Consultants Utilized			
Firm Name		Key Contact	
Key Contact		Direct Ph. No.	
Area of Expertise		Address	
Avg. Cost/Co., Person or Engagement		Avg. Times/Yr. Utilized	
Number of Times Used in the Past		No. Years This Covers	

319. Do you utilize a scoring system and/or checklists for evaluating or scoring potential investments? (This is not referring to due-diligence checklists, but rather a “go/no-go” type of list based on the initial evaluation, either before or after a meeting with a prospect.) If yes, include a copy of such forms in Exhibit P.

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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320. Either in the form of questions that you ask yourselves when another round of financing is needed and/or based upon a classification system, discuss the *criteria* for deciding whether to make follow-on investments? (Take up to 2/3 page for this response.)

321. What are your *criteria* for termination or disposition of portfolio investments, under different circumstances, e.g., success, loss, “living dead”. In your response, factor in how the length of time that an investment has been in your portfolio may affect your decision, if it does. (Take up to a page for your answer.)

322 *Decision-making process.* (When answering this question, take as much space as required.)

322.1 Referring back to question 308, continue your narrative of the internal steps leading up to the point at which it is decided to put the investment prospect to a vote. (When answering this question, please concentrate on actions and criteria that may not be covered elsewhere in this document or in an Exhibit P.)

322.2 *Reports.* Before making an investment, will you require a substantive internally written report to be presented to the other voting members or will you rely

upon a cover memo that accompanies the entrepreneur's business plan, or do you utilize some document or presentation in-between these types. Describe, indicating the anticipated length of the investment memos. In this discussion, be sure to clarify at what points in the process internal memos are written, and what key elements are embodied in each memo (if there are more than one). As relevant, you may shorten the discussion here by referring to enclosures in Exhibit P.

322.3 *Meetings*. (a) Will "buy" and "sell" decisions be made at periodic meetings or as required. Discuss, including mention of the periodicity of the meetings, if applicable. (b) How will the agenda be determined? (c) Will the principals (and/or others involved in the buy/sell decisions) always or generally meet in person for this purpose, and do you intend to permit investment decisions to be made via a telephonic meeting? (You needn't utilize this outline, but answer all the points, and concentrate on actions and criteria.)

322.4 Describe how the decision-making process will be/is performed (both buy and sell), indicating the role of each principal in the process, and specifying the voting provisions, i.e., will, or do some people or committees have more voting power than others, or special rights such as veto rights; and are votes made through majority, super-majority, or unanimity? If there is a difference in the voting criteria for buy and sell decisions, discuss this aspect of this topic. (Be sure to cover all of these topics.)

322.5 After the closing, do you do (or plan to do) a closing investment memo? If so, what are the subjects that it will cover. (You may include enclosures in Exhibit P and refer to them if you wish to shorten your discussion here.)

322.6 What is your methodology or system for tracking changes in provisions of the investment agreement that may change on key dates?

323. (This question applies only when submitting your license Application. For a MAQ submission, answer "N/A".) If any of the subjects in questions 315 and 322 are evidenced in your legal documents (including your placement memorandum) please ensure that the relevant documents containing these sections are included in Exhibit O, *Offering Memoranda & Other Documents* and/or in Exhibit Q, *Organizational Documents of Applicant*, as appropriate. In this space, please state in which Exhibit the appropriate documents are located, and provide the specific places where these references can be found.

## OVERSIGHT AND COMPLIANCE

324. What types of reports do you intend to require from investee companies where you are the lead investor, and with what frequency?

325. Beyond the use of email, provide any details on how you use, or intend to utilize, computerized techniques for oversight, such as computer-assisted tracking, and what software packages will be utilized, if any.

326. Describe which persons within your management group will have responsibility for monitoring, including how the oversight emphasis may vary for the different persons. Include a discussion of any non-principals utilized for oversight activities, either staff or advisors. (Take up to 12 lines for this response.)

327. Which person(s) will have primary responsibility for SBA reporting, for regulatory compliance, and be the key contact with the assigned SBA analyst?

328. Procedurally, how do you intend to ensure that the structure and terms of each financing comply with SBA regulations?

**SUMMARY OF DUTIES OF PRINCIPALS**

329. Taking no more than 8 lines per person, summarize the key roles and functions of each principal in the proposed SBIC, emphasizing any differences in their duties.

**MISCELLANEOUS**

330. Have you carefully reviewed all questions in Sections 2 and 3 to ensure that each response does not exceed either 8 lines each or other designated limits, except where explicitly otherwise noted, and that all narrative responses are in Times Roman 12 pt.?

Yes

No

**SECTION 4. LEGAL PROVISIONS OF THE FUND**

**INSTRUCTIONS.** Questions followed by an “X” need not be answered in a MAQ filing, but must be answered as part of a license application. SBA recognizes that any answers provided as part of a MAQ submission are preliminary and subject to change.

**ECONOMIC INTERESTS**

401. *Allocations.*

401.1 Provide a description of any formulas for carried interest allocations to be made directly or through bonus or profit sharing plans. (In the event that the SBIC is a drop-down from a parent venture fund and all of the carry takes place at the parent level, this question then applies to the parent.)

401.2 Describe the profit and loss allocations (to include bonus plans or profit sharing plans) between the investors, the general partners, any managing entities, employees, and any other persons or entities (other than management fees described in 402).

401.3 *Vesting.* Discuss any vesting provisions for carried interests, including different vesting schedules for different parties.

401.4X Describe any provisions for preferential distributions to any partners (other than SBA) and any clawback provisions between the principals and limited partners.

402. *Expenses.*

402.1 Describe the formula for calculating the fees to be paid to the investment advisor/manager (see 13 CFR 107.520 and SBIC Tech Note #7A), and discuss the allocation of expenses among the SBIC, the investment advisor/manager and the general partner, including allocation of overhead, legal fees, due diligence costs, etc. If the investment advisor/manager provides services to multiple funds, fully describe your policy and/or formulas for allocation of management fees among funds. Particularly note any wind-down provisions regarding expenses in any of the funds.

402.2 Describe your policies regarding the allocation of fees, such as transaction fees, investment banking fees, monitoring fees, directors' fees, etc., between the SBIC and any management or other affiliated entities (see 13 CFR 107.900 and SBIC Tech Note #7A).

**ORGANIZATIONAL STRUCTURE AND RELATIONSHIPS**

403. *Organizational Structure*

403.1 Provide the appropriate organizational chart in Exhibit K.

403.2X Referring to the organizational chart, give the date of formation for each entity and the EIN of each entity, if issued.

404. Do you intend for your SBIC to be a “drop-down fund”, i.e., a subsidiary of another venture fund? (Note that this question refers exclusively to parent venture capital funds and not to any other types of entities.)

Yes

No

404.1 If “yes”, answer the following questions. If “no”, leave the balance of 404 blank.

Table 404.1 Parent Fund Data			
Name of Parent Fund		Address	
Key Contact		Direct Ph. No.	
Email Address		Fax Number	
Current Private Capital of Parent Fund	\$	Anticipated Final Private Capital of Parent Fund	\$
Amount Currently Invested	\$	Amount of Unfunded Commitments	\$
Amount to be Dropped Down into the SBIC	\$	Amount to Remain in Parent Fund	\$

404.2 Describe the types of current investments made by the parent, and discuss how those investments, and future investments of the parent may either be different from the SBIC’s investment strategy or how they will be similar. State what criteria will be utilized for determining into which fund an investment will be placed.

404.3 Describe any similarities or differences in the geographic areas in which the parent and the SBIC will invest.

404.4 Do you contemplate co-investing with the parent?

Yes  No

404.5 If “No”, enter “N/A” for this question. If “Yes”, after carefully reading §107.50, definition of Associate and also §107.730 *Financings which constitute conflicts of interest*, discuss how co-investments will be handled.

404.6 In “drop down” SBICs, SBA generally requires the investors in the parent fund to be added to the SBIC as Class B limited partners and to make a stand-by commitment to the SBIC in support of the parent’s commitment. Do you anticipate any difficulty in obtaining these investor commitments to the applicant? (See Addendum to Exhibit M, the *Capital Certificate* of Form 2182.)

Yes  No  Maybe

404.7 If “Yes” or “Maybe”, please describe the potential problems and then discuss this issue with an SBA staff person.

405. *Relationships of the SBIC entity and all Associated (§107.50) or Affiliated (§121.103) entities.*

405.1 Only identify all Associated or Affiliated individuals and entities that will provide services to the Applicant in connection with the Applicant’s activities as an SBIC, such as due diligence, deal sourcing, administration, portfolio concern consulting. (You may omit non-material services which arise in the ordinary course of business for an entity, e.g., ordinary commercial banking relationships.)

405.2 Indicate whether any individual or entity identified in Question 403.1 is an Associate (§107.50) or an Affiliate (§121.103) of any officer, director, manager or

10% or greater investor of the Applicant or any other SBIC or New Markets Venture Capital company.

405.3 Describe current or proposed methods to identify any potential conflicts of interest and the procedures for resolving those potential conflicts. For example, do you propose to have a governance committee, a conflicts-of-interest, or an advisory committee that would address such issues? If so, what is the proposed composition of such a committee and what will their legal role and authority be? (See §107.730)

406X. *Co-investing (other than with a parent).*

4.06.1 Describe your policies regarding personal investments by principals and/or other employees in portfolio companies. (Some examples: [a] they may not be permitted to co-invest, [b] they may only invest in deals in which they are the lead for the firm, at their option, [c] they may invest in any deals, at their option, [d] they must co-invest in every deal in which they are the lead for the firm, or [e] all principals or leads for the firm must co-invest in all deals.)

406.2 If co-investing by principals or employees is permitted or required, will “hard” dollars or “soft” dollars be used? Discuss.

406.3 Other than a parent fund, provide details regarding any Affiliates and/or Associates that are likely to want to participate in SBIC investments. (Please specify the nature of the affiliation or association of the affiliated or associated entity. See definitions of *Associate* in §107.50 and *Affiliate* in §121.103)

**OTHER LEGAL PROVISIONS**

407X. *Reinvestment.* Describe your policy with respect to reinvestment of the proceeds from realized portfolio liquidity events, including early realizations.

408. *Penalties.* What are the penalty provisions, if any, to be imposed on investors for failure to make commitments when called?

409. Do you have or do you intend to have any third party borrowing arrangements in place at any time prior to being licensed. (See Exhibit W.)

410. Are you proposing to be a regulated public entity (usually a '40 or '80 Act investment company), either at the time of filing or at some foreseeable time in the future?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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If “Yes”, see §107.115, and fully discuss this issue in Exhibit V.

[End of Form]