



**NEW MARKETS VENTURE CAPITAL PROGRAM
OFFICE OF INVESTMENT
U. S. SMALL BUSINESS ADMINISTRATION**

409 Third Street, S.W. Washington, DC 20416 Tel: (202) 205-6510; Fax: (202) 205-6959

New Markets Venture Capital Program Applicants Interview Questions

Instructions: (For both New Markets Venture Capital (NMVC) Company applicants and Specialized Small Business Investment Company (SSBIC) applicants.)

SBA will interview applicants for assistance under the NMVC program after initial screening, due diligence, and evaluation by a panel. SBA will interview only those applicants whose aggregate funding requests equal approximately 150% (10% + or -) of SBA's available debenture and grant authority.

SBA will conduct all interviews in SBA's offices in Washington D.C. For NMVCC applicants, SBA expects all principals to participate in the interview. SBA will consider applicant requests, based on hardship, that specific principals not participate and may grant such requests based on SBA's sole discretion. For SSBIC applicants, the applicant may select its representatives. An applicant may bring its attorneys with it to the interview, but only an applicant's principals may speak on behalf of the applicant during the interview. SBA representatives may ask questions of the applicant's representatives at any time during the interview. The time period for the interview is up to 90 minutes.

For all applicants, the integration of equity investing and operational assistance under the applicant's control is a unique characteristic of the NMVC program. Therefore, it is important for SBA to understand how the applicant proposes to administer the complex array of relationships, structures, cash flows, and management operations presented by the integration of equity investing and operational assistance.

SBA recommends that the applicant address these unique aspects of the program by presenting during the interview one or more charts or diagrams (preferably in a printed Microsoft PowerPoint or equivalent format) of both the applicant's external relationships and its internal organization and processes.

For NMVCC applicants, the principal purpose of the interview is for SBA representatives to test or clarify assertions or statements made by the applicant in its application or during the interview. Another purpose is for SBA to gain insight into the applicant's individual principals and how they work together as a team, including how the team will

represent itself to prospective investors, sources of match funding, or portfolio companies.

For SSBIC applicants, the principal purpose of the interview is to test or clarify the plans put forth by an applicant in its application package with regard to how it plans to raise grant matching resources; to use its grant resources; and to integrate its operational assistance activities into its investing activities.

NMVCC Applicants Interview Instructions and Questions

The interview will consist of two parts:

(1) Maximum of 30 minutes for an oral presentation by the applicant's management team to introduce the principals, outline the applicant's proposed investment and operational assistance strategy, and explain how the applicant will execute that strategy.

(2) Maximum of 60 minutes for questions by SBA representatives to clarify any aspect of the presentation or the application.

During the interview, SBA expects the applicant to address the unique aspects of the NMVC program, and how the applicant proposes to fulfill the objectives of the program. SBA will ask each applicant some or all of the following questions.

1. Individual principals.

- a. How do you propose to allocate the carried interest among your principals?
- b. How do you plan to add, replace, or remove principals?
- c. How much time will each principal devote to the NMVCC before it closes, and then while it is in operation?
- d. Do you anticipate reducing that time commitment at any time over the life of the company?

2. Investment strategy.

- a. How important is the operational assistance grant resources to executing your investment strategy?
- b. What will be the hurdle rate for your portfolio and what return on investment (ROI) do you plan to deliver to your investors?
- c. To what extent do you anticipate relying on others to identify prospective deals or to structure specific transactions?

3. Targeted Low-Income Geographic Areas.

- a. What are your principals' prior connections with the LI Areas you are planning to target?
- b. What are the economic, social, or community development benefits you plan to create in your targeted LI Areas? How do you plan to measure those benefits?
- c. How do you plan to use your operational assistance resources to achieve those development benefits in your targeted LI Areas?

4. Deal generation.

- a. What are your sources of deal flow, for example from community or commercial organizations with which your principals have relationships?
- b. How will you create deal flow and sustain such deal flow over the entire investment period?

5. Deal review process.

- a. Describe the process you plan to use to review deals and who will be involved in every stage of the process.
- b. What form of tracking and database do you plan to use in your deal review process?
- c. How will the principals participate in the decision-making process on deals, at each stage in the process?

6. Development of the investment transaction.

- a. How do you plan to test the validity of business plans and projections submitted to you by potential investees?
- b. How will you determine an appropriate hurdle rate for each investment?
- c. How will you use outside consultants or advisors in your due diligence process for evaluating potential investments?
- d. What investment structuring techniques and parameters do you plan to use?
- e. How will you pay the deal costs of your investments?

7. Post-investment relationships with company management.

- a. What will your principals' activities and roles be in your portfolio companies, other than board membership?
- b. What will your policy be with respect to charging your portfolio companies for your services?

8. Exiting investments and covering financing costs.

- a. How do you anticipate exiting your investments?
- b. How do you plan to time your exits and realize your investments in order to meet your operating expenses?
- c. How do you plan to manage your cash flow after your investment period, including servicing your SBA-guaranteed debentures?
- d. What will be your policy on reinvestment of investment proceeds and repayment of SBA-guaranteed indebtedness?

9. Operational assistance (OA) grants.

- a. What are your potential sources of grant matching resources, both cash and in-kind?
- b. How do you plan to use your grant resources for individual companies, both before and after you make investments in those companies?
- c. How do you plan to administer your grant resources?
- d. How will your principals' time be allocated to your grant operations?
- e. What is the projected annual cost of administering your grant operations?
- f. How will you provide OA through your principals versus third-party providers ?
- g. Describe your existing or planned contractual relationships with third-party OA providers, including pricing.
- h. What are your guidelines to distinguish between services you will provide to companies as an investor for a fee, versus OA you will provide to companies at no cost?

10. Raising capital and grant matching resources.

- a. What commitments do you have in hand to date, for both capital contributions and grant matching resources?
- b. What are the cash commitments from your principals and organizations associated or affiliated with you?
- c. What will be the cost of your fundraising activities?

SSBIC Applicants Interview Instructions and Questions

The interview will consist of two parts:

- (1) Maximum of 30 minutes for an oral presentation by the applicant's management team to outline the applicant's proposed investment and operational assistance strategies and to explain how the applicant will execute that strategy.
- (2) Maximum of 60 minutes for questions by SBA representatives to clarify any aspect of the presentation or the application.

During the interview, SBA expects the applicant to address the unique aspects of the NMVC program, and how the applicant proposes to fulfill the objectives of the program. SBA will ask each applicant some or all of the following questions.

1. Investment strategy.

- a. How important is the operational assistance grant resources to executing your investment strategy?

2. Targeted Low-Income Geographic Areas.

- a. What are your principals' prior connections with the LI Areas you are planning to target?
- b. What are the economic, social, or community development benefits you plan to create in your targeted LI Areas? How do you plan to measure those benefits?
- c. How do you plan to use your OA resources to achieve those developmental benefits in your targeted LI Areas?

3. Operational assistance (OA) grants.

- a. What are your potential sources of grant matching resources, both cash and in-kind?
- b. How do you plan to use your grant resources for particular companies, both before and after you make investments in those companies?
- c. How do you plan to administer your grant resources?
- d. How will your principals' time be allocated to your grant operations?
- e. What is the projected annual cost of administering your grant operations?
- f. How will you provide OA through your principals versus third-party providers?
- g. Describe your existing or planned contractual relationships with third-party OA providers, including pricing.
- h. What are your guidelines to distinguish between services you will provide to companies as an investor for a fee, versus OA you will provide to companies at no cost?

4. Raising capital and grant matching resources.

- a. What commitments do you have in hand to date, for both capital contributions and grant matching resources?
- b. What are the cash commitments from your principals and organizations associated or affiliated with you?
- c. What will be the cost of your fundraising activities?

Please note: SBA is collecting the information on this form for the purpose of determining whether the NMVCC applicant should be selected as an NMVCC, or whether the SSBIC applicant should be selected for an operational assistance grant award. The information collected on this form is required in order for the applicant to receive SBA assistance. The information collected will be kept confidential to the extent permitted by law.

The estimated burden for responding to this collection of information is 90 minutes. You are not required to respond to this collection of information unless it displays a current Office of Management and Budget (OMB) control number. If you have questions or comments concerning this collection of information, please contact the U.S. Small Business Administration, Chief, Administrative Information Branch, Washington, DC 20416 and/or Office of Management and Budget, Clearance Officer, Paperwork Reduction Project (3245-0338), Washington, DC 20503. **Please do not send forms to OMB.**