

GENERAL OVERVIEW
New Markets Venture Capital Program
Review and Selection Process, FY 2001

I. Initial Screening

A. Application receipt and tracking.

1. Deadline for receipt.

The deadline for receipt of applications both for New Markets Venture Capital (NMVC) company designation and for Specialized Small Business Investment Company (SSBIC) grants, is 4:00pm on Tuesday, May 29, 2001, as published in a Notice of Notice of Funds Availability ("NOFA") in the Federal Register on May 18, 2001 (66 FR 27721).

2. Who must receive applications.

In order for an application to be considered, the Director of the Office of New Markets Venture Capital (ONMVC), or specific individuals designated by him, personally must receive the application by the deadline date and time. Each application will be date and time stamped by the Director of ONMVC or his designee on the cover page of the application, upon receipt of that application.

SBA will not consider an application delivered by courier or other express delivery service to SBA's mailroom on the Washington Office Center ("WOC") concourse level, SBA's information/reception desk on the first floor, or to WOC's security desk on the first floor, to be timely filed, unless the application subsequently is received by the Director of ONMVC or his designee personally by the deadline date and time. SBA will not consider postmarks or other indications of mailing or filing to be adequate evidence of timely filing. Receipt of an application by the Director of ONMVC or his designee personally is required and the only acceptable evidence of such personal receipt is the Director of ONMVC's or his designee's date and time stamp and initials on the application.

Circumstances that SBA will consider to not constitute timely receipt of an application include, but are not limited to, the following examples:

- application received by SBA's mailroom on the deadline date but not received personally by the Director of ONMVC or his designee by the deadline date and at or before the specified time.
- application delivered by courier to SBA's WOC, left with a SBA representative at the information/reception desk on the first floor, but the Director of ONMVC or his designee does not receive personally the application by the deadline date and at or before the specified time.

- application post-marked by deadline date, but not received personally by the Director of ONMVC or his designee by the deadline date and at or before the specified time.

B. Initial screening for eligibility and completeness

1. Initial screening.

All applications will receive an initial screening. At this stage, SBA staff will review all applications for timely receipt, completeness, and eligibility, but will not review applications for substance or quality.

2. Initial screening elements:

a. Timeliness.

SBA will deem applications received by the Director of ONMVC or his designee after the date and time set forth in the NOFA to be untimely and SBA will not process such applications.

b. Completeness.

All applications must contain at least the following information in order for SBA to consider them complete:

- (1) Signature of authorized representative.
 - NMVC company applicants: on Declaration of Applicant, SBA Form 2184.
 - SSBIC applicants: in block 18.d on Standard Form 424.
- (2) Application package contains the following documentation:
 - NMVC companies:
 - Application (SBA Form 2184),
 - Exhibits (SBA Form 2185), and
 - all required fingerprint cards.
 - SSBIC applicants:
 - Application for Federal Assistance (SF 424),
 - Budget Information,
 - Appendix B (Assurances and Certifications), and
 - technical proposal.
- (3) Applicants have submitted \$5,000 fee.
- (4) Applicants have submitted 2 hard copies of the application package and a diskette.

c. Eligibility.

All applications must present information pertaining to the following criteria in order for SBA to consider them eligible:

- (1) NMVC companies (relevant portions of the application package are referenced):
 - (a) Newly formed entity (formed after December 21, 2000)
 - Application, Q 501.1
 - (b) For-profit entity

- Application, Q 501.1
- (c) Management team identified
 - Application, Q 502.1
- (d) Primary mission of the entity is economic development of one or more LI Areas
 - Application, Q 111; and Exhibit Q (if organizational documents submitted with initial application)
- (e) Specific Low-Income Geographic Areas identified
 - Application, Q 314.1; and Exhibit W.
- (f) Minimum Regulatory Capital of \$5,000,000 is proposed
 - Application, Q 105
- (g) Minimum grant matching resources of \$1,500,000, or 30% of proposed Regulatory Capital whichever is greater, is proposed
 - Application, Q 106
- (2) SSBICs:
 - (1) Increase in its Regulatory Capital as in effect on December 21, 2000, is proposed and proposed amount is stated.
 - (2) Proposes to use increase in Regulatory Capital to make Low-Income Investments.
 - (3) Proposes to raise grant matching resources in an amount not less than 30% of amount of increase in Regulatory Capital.
 - (4) Application contains information or materials that reasonably can be interpreted as a plan for use of grant funds to provide operational assistance to smaller enterprises in which SSBIC has invested or intends to invest.
 - (5) Specific Low-Income Geographic Areas are identified.
- 4. Notification to applicants.
 - a. Screened out applications.

After the initial screening process is complete for all applications, SBA will send a written notice by mail and e-mail to each screened out applicant advising that it has been screened out and that SBA will not process its application further, and providing a brief explanation of the basis for screening out the application. Together with this notice, SBA will return to each such applicant its fee.

- b. Applications passing the initial screening.

After the initial screening process is complete for all applications, SBA will send a written notice by mail and e-mail to all applicants passing the initial screening. This notification will advise them that they have passed the initial screening and will be further processed and refer them to SBA's web site for announcements and updates regarding the NMVC program.

For NMVC company applicants, together with this notice SBA also will send the following information:

- (1) Complete blank SF 424 and attachments (which include budget information and assurances and certifications)
- (2) OMB Circular A-110
- (3) Federal Acquisition Regulations Part 31
- (4) Q and A with information about acceptable uses of grant funds

The notice also will advise NMVC company applicants that they must return complete SF 424 packages to the Director of ONMVC or his designee by no later than 4:00pm on **June 25, 2001**. NMVC company applicants that do not submit complete SF 424 packages by this deadline will not be processed further.

The same timeliness and receipt policies and procedures governing the initial application submission (see Section I.A.2, above) also apply to the submission of this package. Applicants failing to timely submit this package will not be processed further.

II. Review Panel Process

A. General.

SBA will convene Review Panels to review, evaluate, and score all NMVC company and SSBIC applications that pass initial screening. SBA will convene as many 3-reader Review Panels as necessary to handle all such applications. SBA intends to have only SBA employees serve as readers on Review Panels.

B. Reviewing and ranking procedures

1. Reviewing and evaluating applications.

Each reader will independently read, evaluate, and score each application assigned to the Review Panel of which that reader is a member. After each reader has read all the applications assigned to his or her Review Panel and made a preliminary evaluation, the Leader of the Review Panel will convene a meeting for the purpose of discussing and/or clarifying issues raised in the applications. Readers on a Review Panel should reveal and discuss with each other their proposed scores on each criteria with respect to each application. After the discussion, each reader should arrive at his or her own scores for each application. All 3 readers of an application are not required or expected to arrive at the same score for each evaluation criteria and/or category. However, readers whose scores are significantly different from those of any other reader must note on their Reader Evaluation Form the reasons their scores diverge significantly from another reader's scores.

Each Review Panel reader is obligated to immediately disclose to and seek advice from the appropriate SBA ethics official if any application assigned to the reader presents a situation that the reader believes constitutes an actual or potential conflict of interest for the reader. A Review Panel reader also may request to be recused from reading and evaluating an application when, for whatever reason, the reader believes he or she is unable to be impartial, objective, and fair in evaluating that application. If a Review Panel reader is recused from reading an application, that application will be re-assigned to another Review Panel.

2. Scoring by readers.
 - a. Applicants for NMVC company designation.

For each application for NMVC company designation, readers must award points on 10 separate criteria, which are grouped into 3 broad categories. See the NMVC Company Application Evaluation and Scoring System Overview for further information as to these criteria and the points assigned to each.

- b. SSBIC grant applications.

For each SSBIC application, readers must award points on 8 separate criteria, which are grouped into 3 broad categories. See the SSBIC Operational Assistance Grant Application Evaluation and Scoring System Overview for further information as to these criteria and the points assigned to each.

III. Due Diligence and Staff Review Process

The due diligence and staff review process will proceed concurrently with the Review Panel process described in Section III. Various offices within SBA will perform various aspects of the due diligence process on all NMVC company and SSBIC applicants that pass the initial screening. The due diligence and staff review process will result in a "qualified," "not qualified," or "qualified with reservations" recommendation. SBA will perform an independent second level review of all applications receiving a "not qualified" recommendation.

IV. Portfolio Committee - Recommended Portfolio

A. Purpose and process.

A Portfolio Committee comprised of SBA employees will receive all NMVC company and SSBIC applications that have gone through the due diligence and staff review process and received either a "qualified" recommendation or a "qualified with reservations" recommendation. For these applications, the Portfolio Committee will compile and consider information received from both the due diligence and staff review process and from the Review Panels. It will create a "Recommended Portfolio" of NMVC company and SSBIC applicants that meet SBA's regulatory requirement to achieve both nationwide and urban/rural program impact.

B. Review and selection process.

1. Ranking in descending order of Review Panel scores.

The Portfolio Committee will create one list of all of the NMVC company applicants and SSBIC applicants forwarded to the Committee listing the applicants in descending order by aggregate score from the Review Panels. The Portfolio Committee will segregate into a separate pile, those applications receiving an aggregate score of less than 150 points.

3. Selection.

The Portfolio Committee will consider applications in descending order by aggregate score from the Review Panels. The Portfolio Committee will review both the Review Panel Summary Evaluation Form and the staff recommendation memo for that application and consider any reservations expressed by staff. The Portfolio Committee may decide to set applications aside from further consideration, in favor of other applications with lower scores from the Review Panel, if the Portfolio Committee determines that the reservations or issues arising from the due diligence and staff review process are significant, or if the selection of an applicant would prevent the program from providing investment nationwide and in both rural and urban areas.

The Portfolio Committee will make selections so as to select the highest ranked, best qualified applicants on the list while achieving the greatest extent of potential nationwide and rural/urban impact of the program. The Portfolio Committee will select only so many applications as to reach the amount of funding available (based on the proposed amounts of Regulatory Capital and operational assistance grant matching resources stated in the applicant's application).

The Portfolio Committee will select or not select an applicant using the amounts of Regulatory Capital and operational assistance grant matching resources stated in the applicant's application, with no adjustment or modification of such amounts in the selection process.

V. Final Selection of Conditionally Approved NMVC Companies and SSBICs

SBA will make final selections of those NMVC company applicants to be designated as conditionally approved NMVC Companies, and final selections on SSBIC grant applicants.

The Director of ONMVC will send written notification to all selected applicants, informing them of their selection and setting forth specific deadlines and general conditions regarding raising capital and matching resources, completing legal documentation, and complying with Office of Procurement and Grants Management (OPGM) administrative requirements concerning grant awards, as applicable. ONMVC also will have a conference call on **July 13, 2001** with all selected applicants, to discuss the remainder of the process to achieve final approval. Submission requirements and deadlines will be discussed and time will be allowed for question and answer.

The Director also will send written notification to all unsuccessful applicants, advising that their applications were not selected but providing no written justification. ONMVC also will advise the unsuccessful applicants that they will receive a refund of their \$5,000 fee. ONMVC will request that SBA's Denver Finance Center issue such a refund directly to such applicants.

VI. Grant Awards to NMVC Companies and SSBICs

A. Negotiation of budget terms.

OPGM will negotiate with conditionally approved NMVC companies and SSBICs, the budget terms of their grant award. The budget terms of the grant awards will be finalized by no later than **August 15, 2001**.

B. Grant matching resources.

1. Deadline to raise grant matching resources.

By 4:00 p.m. on **August 15, 2001**, conditionally approved NMVC companies and SSBICs must have in place the required amount of grant matching resources, and must submit documentation of such resources to ONMVC. The same timeliness and receipt policies and procedures governing the initial application submission (see Section I.A.2, above) also apply to the submission of this package. Applicants failing to timely submit this package will not be processed further.

2. Review of grant matching resources documentation.

SBA will review for acceptability the documentation submitted by each applicant concerning the grant matching resources it has put in place.

3. Exception to requirement to raise full amount of grant matching resources.

A conditionally approved NMVC company may request that SBA make an exception to the requirement to raise the full amount of grant matching resources by the **August 15, 2001** deadline, pursuant to 13 CFR § 108.380(b). (This exception is not available to SSBICs.) A conditionally approved NMVC company must submit any such request to the Director of ONMVC, by no later than **August 1, 2001**.

If SBA denies the request for an exception, ONMVC will notify the conditionally approved NMVC company in writing by no later than **August 3, 2001**, and such company will be required to raise the required amount of grant matching resources by the **August 15, 2001** deadline. If SBA approves the request for an exception, ONMVC will notify the conditionally approved NMVC company in writing and SBA will consider that conditionally approved NMVC company to have met the requirement to raise grant matching resources.

VII. Final Approval of NMVC Companies and Final Selection of SSBIC Grantees

A. Legal documentation.

Conditionally approved NMVC companies must finalize and submit to SBA for review and clearance all proposed legal documentation by no later than 4:00 p.m. on **August 10, 2001** (30 days after conditional approval). This includes the documentation described in NMVC Application Exhibits (SBA Form 2185) Q (Organizational documents of applicant); R (Opinion of counsel); S (Management services agreement); T (Bank letter); and V (Request for approval of organizational and management expenses). Conditionally approved NMVC companies must submit such documentation to the Director, ONMVC.

The same timeliness and receipt policies and procedures governing the initial application submission (see Section I.A.2, above) also apply to the submission of this package. Applicants failing to timely submit this package will not be processed further.

Office of General Counsel (OGC) staff will review the legal documentation and work directly with legal or other designated representatives of the conditionally approved NMVC companies, to finalize such documentation in a form acceptable to SBA. All legal documentation must be finalized by no later than **September 14, 2001**.

B. Capital.

By no later than 4:00pm on **September 14, 2001**, SSBICs and conditionally approved NMVC companies must have in place the required amount of capital, and must submit documentation of such capital to ONMVC.

The same timeliness and receipt policies and procedures governing the initial application submission (see Section I.A.2, above) also apply to the submission of this package. Applicants failing to timely submit this package will not be processed further.

SBA will review for acceptability and compliance with regulatory requirements, the documentation of capital submitted by conditionally approved NMVC companies and SSBICs.

C. Final approval.

SBA will take final action on all applications by no later than **September 26, 2001**.

D. Notification to finally approved NMVC Companies and SSBICs.

By no later than **September 28, 2001**, SBA will send a written notice by mail and e-mail to all finally approved SSBICs and NMVC companies advising them that they have been finally approved. By this same date, SBA also will send a written notice by mail and e-mail to all other SSBICs and conditionally approved NMVC companies advising them that they have not satisfied the conditions for final approval. This notice also will advise such previously conditionally approved NMVC companies that they no longer are conditionally approved NMVC companies and must not participate in the NMVC program or represent themselves as conditionally approved NMVC companies.

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New Markets Venture Capital (NMVC) Company Application--Evaluation and Scoring System Overview

<i>Evaluation Criteria</i>	<i>Maximum Points Possible</i>
Category I: Investment	35
Criteria 1: Investment capacity, skills and experience of Applicant's management team	15
Criteria 2: Strength and likelihood for success of Applicant's operations and investment strategies	10
Criteria 3: Applicant's understanding of markets in designated LI Areas	10
Category II: Community Development	35
Criteria 4: Community development capacity, skills and experience of Applicant's management team	10
Criteria 5: The need for developmental venture capital investments in designated LI Areas	10
Criteria 6: Strength and likelihood for success of Applicant's plan to provide operational assistance	10
Criteria 7: Extent to which Applicant intends to concentrate its resources and activities in LI Areas as opposed to non-LI Areas	5
Category III: Capability to Execute Plans	30
Criteria 8: Likelihood that Applicant will raise regulatory capital	10
Criteria 9: Likelihood that Applicant will raise matching resources for operational assistance grant	10
Criteria 10: Likelihood and extent that Applicant's planned investment and operational assistance activities will have a positive economic and community development impact on designated LI Areas.	10
TOTAL	100

Specialized Small Business Investment Company (SSBIC) Operational Assistance Grant Application--Evaluation and Scoring System Overview

<i>Evaluation Criteria</i>	<i>Maximum Points Possible</i>
Category I: Investment	35
Criteria 1: Management team's track record in specialized venture capital investing	20
Criteria 2: Applicant's understanding of markets in designated LI Areas	15
Category II: Community Development	35
Criteria 3: Strength and likelihood for success of Applicant's plan to provide developmental venture capital investments in identified LI Areas	15
Criteria 4: Strength and likelihood for success of Applicant's plan to provide operational assistance	10
Criteria 5: The need for developmental venture capital investments in designated LI Areas	10
Category III: Capability to Execute Plans	30
Criteria 6: Likelihood that Applicant will raise regulatory capital	10
Criteria 7: Likelihood that Applicant will raise matching resources for operational assistance grant	10
Criteria 8: Likelihood and extent that Applicant's planned investment and operational assistance activities will have a positive economic and community development impact on designated LI Areas.	10
TOTAL	100