

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

**INSTRUCTIONS
FOR NMVC DEBENTURE DRAW APPLICATION**

INTRODUCTION

These instructions provide the information necessary for a New Markets Venture Capital Company ("NMVCC") ("you" or "your") to request a draw against SBA's commitment to guarantee Debenture Leverage. You must complete all steps by specific time deadlines in order for SBA to approve your request for funds.

PROCEDURES FOR REQUESTING DRAWS

You must submit the appropriate forms and documents described below (the "Draw Request") by overnight courier to:

Johnny Kitts, Funding Control Officer
Office of Investment, Suite 6300
Mail Code 7050
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416.

You may submit Draw Requests at any time, but SBA processes them only twice a month. The cutoff time for submitting a Draw Request is 10:30 a.m. on the first and third Wednesdays of each month. SBA will not process any Draw Requests received after the 10:30 a.m. cutoff on Wednesday until the next funding cycle, which begins two weeks later. Therefore, we suggest that you submit your request well before the Wednesday cutoff date.

SBA will take six days to review and process your Draw Request. If SBA approves your Draw Request, SBA will send you, by 3:00 p.m. on the Wednesday following your Draw Request, an "Approval Notice" for each specific takedown included in your Draw Request.

To take down funds, you must complete Section II of the *Approval Notice* and fax the entire document to JP Morgan Chase by 2:00 p.m. on the day prior to your takedown. You should receive the funds by close of business on the day of your takedown.

The earliest you will be able to receive funds will be at the close of business on the Friday following your receipt of an *Approval Notice* from SBA. The latest you will be able to receive funds will be on the 44th day following your receipt of the *Approval Notice*. If you do not request a takedown of funds under an approved Draw Request before the *Approval Notice* expires, you may submit another Draw Request for those funds as long as SBA's commitment to guarantee those funds has not expired. There are no penalties or charges due SBA if you fail to take down funds approved under an *Approval Notice*.

Some important points to keep in mind when applying for a draw approval:

- ? **Under each Draw Request you may request multiple takedowns. However, there is a limit of five takedowns per Draw Request**, due to limited SBA staff resources.
- ? You must submit one original SBA Form 2207 NMVC Debenture for each expected takedown of debentures.
- ? SBA will send you one *Approval Notice* for each approved takedown. SBA permits only one takedown per *Approval Notice*.
- ? The amount taken down under an *Approval Notice* can be less than, but not greater than, the stated approved "Maximum Face Amount of NMVC Debenture." In all cases, the amount taken down must be an increment of \$5,000, and must be at least \$100,000.
- ? There is no sequence in which you must use the *Approval Notices*. Rather, you should use them in the order that best fits your needs.

DOCUMENTS TO BE SUBMITTED

You must submit the following documents in order for SBA to consider funding your Draw Request.

(1) Leverage Security Instrument (NMVC Debenture) and Supporting Information

(a) NMVC Debenture.

You must submit an original NMVC Debenture (SBA Form 2207) for each takedown you expect to make under your Draw Request. Follow these instructions:

- ? Download the NMVC Debenture form from the Investment Division's web page at <http://www.sba.gov/INV/NMVC/forms.html>.
- ? Complete the signature block appropriate for your type of business entity. Delete all signature blocks that do not apply to your type of business entity. When completed, the NMVC Debenture should be a four-page document.
- ? Forward to SBA one signed original NMVC Debenture for each takedown you expect to make under your Draw Request.
- ? DO NOT complete any other portions of the debenture.

(b) Amount of Debenture requested.

You also must submit a separate, one-page document entitled "AMOUNT OF DEBENTURE FUNDING REQUESTED." On that document, list the amount of each debenture that you wish to take down with this Draw Request. Please note that there is a limit of five takedowns per Draw Request.

After SBA's review and approval of your request, and after the debenture is purchased, you will receive a copy of each completed debenture.

We strongly recommend that you use the "NMVC Debenture Calculator" to help you decide the face amount of NMVC Debenture(s) you should request. The NMVC Debenture Calculator is a computer program that calculates the net proceeds that different face amount of NMVC Debentures would generate based on then current interest rates.

You can access the NMVC Debenture Calculator through the NMVC program's web page at <http://www.sba.gov/INV/NMVC/>.

(2) Annual Financial Report and Statement of No Material Adverse Change

(a) Statement of no material adverse change.

You must submit a statement certifying that there has been no material adverse change in your financial position since the last Annual Financial Report (SBA Form 468) that you filed with SBA.

(b) Financial reports.

In accordance with 13 C.F.R. §108.1220, if you submit a Draw Request more than 90 days since your submission of an annual SBA Form 468 or an SBA Form 468 (Short Form), you must give SBA a financial statement on SBA Form 468 (Short Form). If you submit a Draw Request more than 30 days following the close of your fiscal year and have not yet filed your annual SBA Form 468 (Long Form), you must submit a preliminary, unaudited financial statement on SBA Form 468 (Short Form).

(3) Statement of Compliance

You must submit a statement in the following form:

"Except as SBA has informed us, and except as stated below, to the best of our knowledge and belief we are in compliance with all provisions of the Small Business Investment Act of 1958, as amended, SBA Regulations, and our Participation Agreement:

[Insert "None," or give an explanation of how and why you are not in compliance]."

An officer, or an individual who is authorized to act as or for a general partner or member-manager must execute such statement (see 13 C.F.R. §108.1230(d)(3) for further information).

NOTE: SBA now is required by statute to provide annual economic data to Congress to support the NMVC program. The Economic Data For Portfolio Concerns (EDFPC) schedule found on Page 22 of the Annual Financial Report (SBA Form 468) and Schedule 9 of that same form, are one of the principal means that SBA uses to collect such economic data. Please be advised that SBA will not consider you to be in regulatory compliance if you have not completed and electronically filed such information no later than five months after your fiscal year end. Lack of regulatory compliance will adversely affect your eligibility for further draw requests.

(4) Statement of Need

You must submit a statement that you need the proceeds from the Draw Request either to provide liquidity for your operations, or to fund one or more small businesses.

If you need the proceeds to fund investments in small businesses, for each small business in which you propose to invest provide the following information (to the extent known):

- ? the business name and address
- ? the amount of your proposed financing,
- ? the type of financing (Loan, Debt Security, or Equity Security, as defined in 13 C.F.R. §108.50), and
- ? the scheduled closing date.

You also must indicate, for each proposed financing, whether the financing will fall within your basket of financings meeting the 80% requirements described in 13 C.F.R. §108.710(a), or into your 20% unrestricted basket of financings.

If you need the proceeds for your liquidity, indicate the current balance of funds available to you, including checking account balances and idle funds you maintain.

SBA understands that you cannot predict with certainty which specific financings will close in within the next six weeks (i.e., the 45-day period within which you may take down funds under an *Approval Notice*). Therefore, the aggregate amount shown on your Statement of Need may exceed the amount you are requesting under your Draw Request.

Please note that within 30 calendar days after the actual closing date of each financing, you must submit to SBA a Portfolio Financing Report (SBA Form 1031) confirming the closing of the transaction with the proceeds of the draw. In addition, for each financing that does not close within 60 days after the anticipated closing date, you must give SBA a written explanation of the failure to close. Failure to comply with these reporting requirements after drawing funds will result in you not being eligible for additional draws and also may result in SBA considering you to not be in regulatory compliance.

(5) Opinion of Counsel for NMVC Debenture

You must submit an Opinion of Counsel for NMVC Debenture (SBA Form 2209) with each Draw Request. Your outside counsel should use SBA's model Opinion of Counsel for NMVC Debenture in preparing his or her legal opinion. Any deviation from the model is subject to approval by SBA's Office of General Counsel, and may delay SBA's approval of your Draw Request. The model legal opinion changes from time to time, so check the Investment Division's web page at <http://www.sba.gov/INV/NMVC/forms.html> for the most recent version.

(6) Amendment to NMVCC Application and Updated NMVCC Capital Certificate for Changes in Leverageable Capital
(Required where applicable)

You may increase your Leverageable Capital immediately prior to a Draw Request in order to be eligible for a greater amount of SBA Leverage. If you do so, you must submit an Amendment to NMVCC Application (SBA Form 2208) and an updated NMVCC Capital Certificate with all accompanying Tables (Exhibit M, SBA Form 2185, Part II, Exhibits) evidencing this increase in Leverageable Capital. You must submit these documents simultaneously with your Draw Request, and prior to the cutoff date for any Draw Request.

If you have any questions concerning the preparation of these documents, please call your SBA account executive.

Please note: The estimated burden for completing the "Amount of Debenture Funding Requested," "Statement of No Material Adverse Change," "Statement of Compliance," "Statement of Need," "Opinion of Counsel for NMVC Debenture," and "NMVCC Capital Certificate," referred to in these instructions, is .75 hours. (Burden statements for other SBA Forms referred to in these instructions that require such statement are found on those forms themselves.) You are not required to respond to any collection of information unless it displays a currently valid OMB approval number. The information collected is required in order for you to receive SBA financial assistance. SBA will keep the information confidential to the extent permitted by law. Comments on the burden should be sent to U.S. Small Business Administration, Chief, AIB, 409 3rd Street, S.W., Washington, D.C. 20416, and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C. 20503. OMB Approval Number 3245-0332. **Please do not send forms to OMB.**