



**U.S. SMALL BUSINESS ADMINISTRATION**  
WASHINGTON, D.C. 20416

DATE: March 9, 2004  
TO: All SBIC Licensees and Applicants  
THRU: Ronald E. Bew, Associate Deputy Administrator, Office of Capital Access  
FROM: Jeffrey D. Pierson, Associate Administrator for Investment  
SUBJECT: Memorandum #2004-4  
Further Information Concerning the Processing and Approval of SBIC Licenses and the Opening of a Commitment Application Window for SBA Leverage Commitments for the Participating Securities Program in FY 2004

*NOTE: The information herein does not apply to Debenture SBICs or non-leveraged SBICs.*

SBIC licensees were notified on February 24, 2004 (Memorandum #2004-3) of the timetable and procedures concerning the issuance of participating security commitments in FY 2004. This memorandum provides additional information concerning the review, approval and funding of SBICs during such period, as follows:

1. SBIC License Application Process. As mandated by current law, the SBA will continue to accept new SBIC licensing applications and review applications that have already been filed and accepted during FY 2004. The SBA will use its standard applicant screening and approval procedures during this time. The SBA cannot make any assurances, however, that any such applications, particularly those received after the date of this notification, will be approved, or that a related leverage commitment will be issued before the end of FY 2004.
2. Continuation of Existing SBA Leverage Commitments. For SBICs that already have SBA commitments for participating securities leverage, all such approved commitments will continue in effect under the existing terms and conditions through the expiration date of those commitments.
3. Last FY 2004 SBA Leverage Commitment Period. The SBA May 2004 Commitment Application window will be the last opportunity for existing SBICs licensed before December 31, 2003 to apply for participating securities leverage commitments under the existing terms and conditions, with one exception as specified in paragraph 4 below.
4. Commitment Requests Permitted After May 2004 Application Window. Certain SBICs may apply for participating securities leverage commitments after the May 2004 application window has closed, provided that such SBICs were (a) licensed after January 1, 2004; or (b) licensed before January 1, 2004, but are ineligible to apply for commitments during the May 2004 period solely on the basis of incomplete FBI clearances. The SBA encourages such SBICs to submit their commitment application requests as soon as they are eligible for a commitment, but no later than August 1, 2004.

5. Cancellation of Existing Commitments. A number of participating securities SBICs have been issued commitments that will expire either this fiscal year or over the next three fiscal years (FY 2005-07). To help ensure that funding will be available for the completion of the investment plans of SBICs in good regulatory and financial standing, the SBA will consider requests from SBICs, during the May 2004 commitment period, to cancel their existing commitments and for the SBA to re-issue the same amount of available commitment, subject to the following terms and conditions:
- a. All requests must be submitted during the May 2004 commitment period and will be processed in accordance with established procedures.
  - b. No credit or refund will be provided for any fees paid on the cancelled commitment.
  - c. A 1% leverage fee must be paid on the new (re-issued) commitment. An additional 2% leverage fee will be paid as commitment proceeds are drawn.
  - d. Under no circumstances will commitments in excess of two times Regulatory Capital be issued to SBICs.
  - e. No requests for re-issued commitments will be considered from SBICs that have a condition of Capital Impairment as defined in 13 CFR Section 107.1830.
  - f. New commitment requests will have the highest priority, then those requests from SBICs with the earliest expiration dates for existing commitments.
  - g. The SBA makes no assurances that requests for cancellation and re-issuance of commitments will be satisfied.