

Investment Policy Statement
Small Business Investment Company Critical Technology Initiative
September 20, 2023

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1.0 Mission

The Small Business Investment Company Critical Technologies (SBICCT) Initiative is a joint effort based on a Memorandum of Agreement between the Small Business Administration (SBA) and the Department of Defense (DoD) to increase private capital investment in critical technologies. The SBICCT Initiative is executed by SBA's Office of Investment and Innovation (OII) and the DoD's Office of Strategic Capital (OSC), coupling SBA's expertise and experience executing the established and highly successful Small Business Investment Company (SBIC) program with the DoD's robust scientific and technical expertise and national security mission. By providing capital and technology sector guidance, the SBICCT Initiative aims to empower highly qualified investors to scale public-private partnered capital and catalyze investment in critical technology areas.

The SBICCT Initiative is the first effort under the SBA-DoD partnership, launched by the Secretary of Defense and the SBA Administrator on December 3, 2022, to grow private sector investment in component-level technologies and production processes vital to U.S. national security interests.

2.0 Purpose

This Investment Policy Statement (IPS) details the joint SBICCT Initiative objectives and governance framework with respect to the overall SBICCT portfolio. Specifically, the SBICCT IPS is intended to:

- a) Outline the SBICCT Initiative investment objectives and portfolio considerations including strategic sector, investment stage, asset allocation, portfolio construction, and management of SBICCT Licensees.
- b) Outline the SBICCT Initiative portfolio governance framework, detailing the roles and responsibilities of key stakeholders and approaches to risk management, monitoring, and reporting requirements.

3.0 SBICCT Initiative Program Objectives

In today's global competition for critical technology, private capital is the dominant source of funding, and a key source of U.S. comparative advantage.

The SBICCT Initiative's primary objective is to attract and scale private investment into technology areas critical to national and economic security. Specifically, DoD and SBA will partner to license and provide low-cost, government-guaranteed capital, under SBA's SBIC program authorities, to SBIC fund managers with expertise deploying capital in markets aligned with DoD Critical Technology Areas (CTAs). DoD Research & Engineering, OUSD(R&E), determines the CTAs for the DoD, which are listed in section 3.1. Of note, the SBICCT Initiative will only support SBIC licensing that is additive and complementary to free market activity, avoiding existing areas of efficient and effective market activity.

3.1 Critical Technology Area (CTA) Sector Allocation

The SBICCT Initiative's priority sectors reflect the DoD CTAs. As a part of the SBIC license application process, SBICCT applicants will be required to demonstrate a strategic intent to invest at least 60% of its aggregate financings (combined capital invested in small businesses) in portfolio companies directly involved in the development of one or more of the [Critical Technology Areas](#) designated by OUSD R&E, most recently described in the OUSD R&E Technology Vision for an Era of Competition, dated February



1, 2022 . Once licensed, the Critical Technology SBIC fund will be monitored to ensure that it is following its investment plan that the licensee put forth during the application process.

Provided with top-level sector guidance, the Licensee is responsible for the investment strategy, origination, portfolio construction, due diligence, and execution of investments in these FCTAs.

At the time of this IPS issuance, and as stated in "OUSD R&E Technology Vision for an Era of Competition" dated February 1, 2022, the DoD has prioritized fourteen CTAs vital to maintaining United States national and economic security as follows:

Critical Technology Areas	Description
Seed Areas of Emerging Opportunity	
 <p>Biotechnology</p>	<p>Biotechnology is an emerging engineering discipline that uses living systems to produce a wide range of technologies and capabilities. From fighting global pandemics and avoiding surprises to reducing logistics and sustainment costs and increasing energy efficiency, biotechnology can help change the way the Department conducts missions, performs in contested logistics environments, and adapts to major global changes.</p>
 <p>Quantum Science</p>	<p>Quantum Science is the study of physical properties at small, even atomic, scales. Defense applications include atomic clocks, quantum sensors, quantum computing, and quantum networks. Quantum science promises to enable leap-ahead capabilities. Quantum computing can provide unprecedented computational speeds and help solve the Department’s hardest analytical problems.</p>
 <p>Future Generation Wireless Technology</p>	<p>FutureG is a suite of emerging wireless network technologies enabled by DoD and commercial industry cooperation to enable military operations and ensure a free and open internet. As Fifth Generation (5G) wireless technology is adopted and provides building blocks for capability, the DoD will also look to FutureG for leap-ahead technologies to lead in creating future standards. The Department will invest in FutureG technology development to lay the groundwork for continued United States leadership in information technology, which is vital for maintaining our economic and national security.</p>
 <p>Advanced Materials</p>	<p>Advanced materials explore innovative new materials and novel manufacturing techniques that can dramatically improve many of the Department's capabilities. Materials that have higher strength, lighter weight, higher efficiency, and can handle more extreme temperatures will have the potential to better protect our service members and enhance their ability to accomplish their missions.</p>
Effective Adoption Areas	
 <p>Trusted AI and Autonomy</p>	<p>Artificial Intelligence (AI) is the software engineering discipline of expanding capabilities of software applications to perform tasks that currently require human intelligence. Machine learning is an engineering subfield of AI that trains software models using example data, simulations, or real-world experiences rather than by direct programming or coding. Autonomy is the engineering discipline that expands robots' abilities to perform tasks while limiting the need for human interaction. AI holds tremendous promise to improve the ability and function of nearly all systems and operations. Trusted AI with trusted autonomous systems are imperative to dominate future conflicts.</p>
 <p>Integrated Network Systems-of-</p>	<p>Integrated Network Systems-of-Systems technology encompasses the capability to communicate, provide real-time dissemination of information across the Department, and effective command and control in a contested electromagnetic environment. Integrated Network Systems-of-Systems capability must enable engagements by any sensor and shooter, with the ability to integrate disparate systems. An interoperable network that</p>

<p>Systems</p>	<p>leverages emerging capabilities across the electromagnetic spectrum such as 5G, software defined networking and radios, and modern information exchange techniques will allow the Department to better integrate many diverse mission systems and provide fully networked command, control, and communication that is capable, resilient, and secure.</p>
 <p>Microelectronics</p>	<p>Microelectronics are circuits and components that serve as the “brain” to human-made electronic functional systems. Virtually every military and commercial system relies on microelectronics. Diminishing microelectronics manufacturing in the United States and supply chain concerns have highlighted national economic and security risks. Working closely with industry, academia, and across the Government, the Department is addressing the need for secure microelectronics sources and will leverage state-of-the-art commercial development and production for defense microelectronic solutions.</p>
 <p>Space Technology</p>	<p>Space technologies include space flight, Space communication and other technologies needed to maintain space operations. With rising threats and increasing dependence on space-based systems, the Department’s space strategy must shift away from exquisite satellites to a more robust and proliferated architecture. Novel space technologies are necessary to enable resilient cross-domain operations. The space strategy must incorporate technologies that enhance the Department’s adaptive and reconfigurable capabilities in space situational awareness, space control, communication path diversity, on-orbit processing, and autonomy.</p>
 <p>Renewable Energy Generation and Storage</p>	<p>Renewable energy generation and storage includes solar wind, bio-based and geothermal technologies, advanced energy storage, electronic engines, and power grid integration. Renewable energy generation and storage promises to decrease warfighter vulnerability and deliver new operational capabilities for the Department. From more efficient batteries to diversifying energy sources and reduced fuel transportation risks, renewable energy generation and storage will add resilience and flexibility in a contested logistics environment.</p>
 <p>Advanced Computing and Software</p>	<p>Advanced computing and software technologies include supercomputing, cloud computing, data storage, computing architectures, and data processing. Software is ubiquitous throughout the Department, but the speed at which software develops outpaces the Department’s ability to stay up to date. The Department must rapidly modernize its legacy software systems with resilient, affordable, and assured new software that has been designed, developed, and tested using processes that establish confidence in its performance. The Department must migrate to a Development-Security-Operations (DevSecOps) approach in its software development and evolve to a model of continuous development, continuous test, and continuous delivery. The Department must leverage modular open system architecture approaches to isolate hardware from software and enable rapid upgrades to secure processors.</p>
 <p>Human-Machine Interfaces</p>	<p>Human-Machine Interface refers to technologies related to human-machine teaming and augmented and virtual reality. Rapid advancements in this technology will have a multitude of benefits for our service members. Highly immersive realistic training environments provide real-time feedback to enhance warfighter performance. Intuitive 5 interactive human-machine interfaces enable rapid mission planning and mission command by providing a common operational picture to geographically distributed operations.</p>
<p>Defense-Specific Areas</p>	
 <p>Directed Energy</p>	<p>Directed Energy Weapons utilize lasers, high power microwaves, and high energy particle beams to produce precision disruption, damage, or destruction of military targets at range. Directed energy systems will allow the Department to counter a wide variety of current and emerging threats with rapid responses and engagement at the speed of light. High-power lasers and high-power microwave technologies both offer new ways to counter diverse sets of threats.</p>

 <p>Hypersonics</p>	<p>Hypersonic systems fly within the atmosphere for significant portions of their flight at or above 5 times the speed of sound, or approximately 3700 miles per hour. Hypersonics dramatically shorten the timeline to strike a target and increase unpredictability. While strategic competitors are pursuing and rapidly fielding advanced hypersonic missiles, the DoD will develop leap-ahead and cost-effective technologies for our air, land, and sea operational forces.</p>
 <p>Integrated Sensing and Cyber</p>	<p>To provide advantage for the joint force in highly contested environments, the Department must develop wideband sensors to operate at the intersection of cyberspace, electronic warfare, radar, and communications. Sensors must be able to counter advanced threats and can no longer be stove-piped and single function.</p>

Such CTA priorities are subject to change by OUSD R&E.

Within the SBIC application process, prospective SBICCT Licensees will be asked to propose a *fund investment strategy* and priorities by *critical technology area* as part of the applicant business plan. The *fund investment strategy*, measured against the priority critical technology areas, will be used for licensing and due diligence prioritization. Specifically, as part of the SBICCT Initiative and subject to existing statutory and regulatory prioritization requirements, among the SBICCT applicants that SBA and OSC prioritize for review in the licensing process, SBA and OSC will prioritize SBICCT applicants that propose an application narrative and investment strategy that align to this IPS. A successful investment strategy will adequately justify why certain CTAs are underinvested, and can demonstrate the technical and investment expertise to increase investment in those CTAs.¹ When reviewing SBICCT Initiative applicants, emphasis will be placed on the following:

- a) **Enabling technologies**, which are often component technologies that have broad effect across technology areas.
- b) **Enhancing US competitiveness**, which includes advantages in manufacturing, strengthening market positions, and building on intellectual property.
- c) **Investment opportunities that require patient capital**, with the intent that the SBICCT Initiative lowers the cost of capital to make long term investments more attractive. For example, capital-intensive, hardware-based technologies related to CTAs are often challenged to attract the capital necessary to commercialize at scale and achieve market viability.

Upon meeting statutory requirements, applicants aligned with SBICCT priorities will be asked to present to SBA OII and DoD OSC on their team, firm, investment strategy, portfolio construction, experience, historical performance, and management plan.

3.2 Program Asset Allocation

The SBICCT Initiative aims to license private market funds pursuing various investment strategies relevant to investment in companies that develop, sustain, and scale government-identified CTAs. The

¹ Of note, and pending publication, an OSC Investment Strategy may provide additional details as to OSC's prioritization of Critical Technology Areas. At the time of this issuance, an OSC Investment Strategy has not been published. Once available, the OSC Investment Strategy will be made available alongside the SBICCT Initiative IPS.

SBICCT Initiative portfolio should adhere to the guidance outlined in this IPS and contain a curated, diversified portfolio of Licensees capable of and committed to profitable investment in CTAs.

In addition to diversification across CTAs and sectors, the overall program portfolio of Licensees should demonstrate geographic, industry, stage, and asset class diversification to cover multiple innovation centers and ensure the portfolio can meaningfully support the financing needs of constituent target companies.

To maximize the impact of initial SBICCT Initiative activities it is desired to cultivate a portfolio of Licensee participants that have the following characteristics:

1. ***A representation of experienced investors within their asset class and strategy demonstrating a strong track record of performance and scaling technologies.*** Investors that fund companies in CTA-related sectors and have a proven track record of:
 - a. Advancing companies from “prototype-to-production.” Established early-stage investors who traditionally deploy \$1-10 million per deal.
 - b. Scaling innovative technologies for broader commercial applications through follow-on equity investment and private debt.
 - c. Integrating innovative technology developments into established businesses to bolster and secure critical technology supply chains.
2. ***Geographic diversification.*** The SBICCT Initiative should seek to license funds across the United States to maximize broad impact across regional and local economies.
3. ***Asset class diversification.*** Asset classes that can meaningfully support the financing needs of constituent target companies, including the venture debt and fund-of-funds asset classes.
4. ***Stage diversification.*** To ensure a continuum of capital is available to support the full lifecycle of critical technology development, commercialization and integration, the SBICCT Initiative will look for broad diversification across each stage of investment.
5. ***Industry diversification.*** To ensure capital is available for all priority technology areas, SBICCT Initiative will seek to diversify investment across critical technology areas.

Specifically, the following four target fund profiles are of interest:

1. ***Established venture capital investors with a track record of successful investing in CTA-related sectors.*** These firms have a successful track record of investing in critical technology areas over multiple funds. Firms have sufficient technical partners to evaluate the feasibility and commercial viability of investment opportunities in critical technology companies.

This category can be broken into two subcategories: (a) Large funds with experience making critical technology investments as a part of diversified portfolios and (b) smaller but similarly experienced managers that are almost exclusively focused on a single or vertically integrated critical technology area.

2. ***Family office investors with a demonstrated track record in CTA-related sectors.*** These family offices have a successful track record of investing in venture capital and/or private equity deals within critical technology areas in early-stage or growth-stage.

3. **Fund-based venture debt investors.** These investors launch limited partnerships to extend venture capital rounds with some lower-cost (than equity) debt. Firms in this class should be experienced and historically successful in critical technology investments.
4. **Growth equity investors.** OSC will evaluate private growth equity investors opportunistically. These firms should have meaningful experience investing in and growing companies within critical technology areas. Critical technology companies' unique cash flow features at the post-prototype-but-not-quite-production stage naturally limit the number of suitable participants at this stage.

3.3 Management Criteria

To meet mission requirements, prospective Licensees must be led by experienced firms and/or managers with a proven track record of success aligned to the proposed investment strategy. As general guidelines, the “Three Cs” can be used for management evaluation: (1) the Composition of the team; (2) the Cohesiveness of the team; (3) the Character of the team.

Composition:

Refers to the number of team members, their backgrounds, and experience base as it relates to the strategy of the proposed licensee—the Composition element factors in both present composition and possible future contingencies.

Cohesiveness:

Relates to the ability of the team to work together effectively and demonstrate commitment to the fund to its conclusion. This is a function of shared philosophy/vision, interactions of individual personalities, relative contributions, motivation, and compensation.

Character:

Evaluation is the assessment of the ethics of each team member as evidenced by past behavior. Each member of the team must be judged to be honest, ethical, and capable of handling the fiduciary responsibility of managing third-party capital.

The composition, cohesiveness, and character considerations are analyzed through lenses reflecting mission alignment outlined below to assess each applicant's fit with the SBICCT Initiative mission and objectives:

- Experienced management team with a proven successful track record of investing in CTAs and demonstrated ability to attract, diligence, structure, and harvest investments.
- Viable investment strategy capable of generating returns sufficient to repay obligations in the medium to long term.
- Strategic fund structure that fits within SBA and OSC priorities for investment in CTAs and aligns with the SBICCT Initiative mission.
- Ability to effectively and efficiently raise investor capital and demonstrated previous success raising private capital.

- Experienced fund operations, account, compliance, legal, investor relations, team members, partners, or advisors capable of managing and complying with SBIC program statutory, regulatory, policy and procedural requirements.

3.4 Additional Government-backed Services Supporting the SBICCT Initiative

As part of its partnership with SBA, OSC may provide program-related initiatives (PRIs) to SBICCT Licensees. The DoD plays a critical role in CTA investment, and OSC is uniquely positioned at the nexus of the national security ecosystem, technical expertise, and industry to provide partners with an impactful suite of offerings in addition to leverage. Such PRI activities may include:

Technical Expertise:

The OUSD(R&E) maintains a deep bench of domain-specific technical experts, overseen by a Principal Director (PD) for each CTA. The PDs are partnered with OSC to support the review of potential licensees and could provide technical diligence of potential investments.

Access to National Security Agency (NSA) Defense Industrial Base (DIB) Cyber Security Offerings:

Through the NSA's Cybersecurity Collaboration Center (CCC) low- or no-cost cybersecurity offerings may be available to eligible licensed funds and portfolio companies to better protect critical technologies.

Controlled and Secure Information Access:

Licensed funds could be eligible for security clearances to the extent necessary for the development of their technology areas.

Cooperative Research and Development Agreements (CRADAs):

Licensed funds could leverage a CRADA or similar agreement with DoD to better enable research and development activities and information sharing between the fund, portfolio companies, and DoD organizations.

All PRIs are subject to authorities, DoD Policy, and availability of resources.

3.5 Performance and Risk

3.5.1 Return Expectations

As stipulated by [13 CFR 107.200\(b\)](#), a successful applicant must be "economically viable" and produce returns commensurate with industry standards. All investment performance metrics from financial reports provided to all investors must also be provided to the SBA and OSC. These metrics are reviewed relative to standard industry benchmarks for the relevant investment strategy and vintage year of the licensee. SBICCT Licensees will be benchmarked against the appropriate asset class and strategy benchmark.

The SBICCT Initiative portfolio is focused on longer-term investment success and not time-based metrics. Single quarter performance below median industry benchmarks is not cause for watchlisting. SBICCT Licensees will be subject to SBIC program statutory, regulatory, policy, and procedural requirements to maintain an SBIC license and manage SBA leverage.

3.5.2 Risk Mitigation and Monitoring

The SBICCT Initiative aims to mobilize capital into sectors and technologies where there are private market inefficiencies coupled with elevated risk and/or long-duration investment requirements. The SBICCT Initiative risk mitigation strategy begins with identifying and researching proposed critical investment sectors. Sector selection is based on critical technology needs, commercial market potential, and future liquidity options. Following sector selection and market study, the risk will ultimately be managed via thorough Applicant selection. The SBIC Management Assessment Questionnaire (MAQ) and final Licensing processes will be critical in reviewing historical manager performance, fund operations experience, designated sector expertise, and demonstrated mission alignment. Once investment activity begins, the team, portfolio, and portfolio construction will be closely monitored, and further risk will be managed through associated program-related initiatives (PRIs).

Licensees shall comply with all SBIC program data and reporting requirements including annual and quarterly reports to be used for risk mitigation and monitoring purposes. These reporting requirements offer further insight into the fund's health and ability to galvanize investment into critical technologies.

In addition to the SBA licensing process, OSC will perform enhanced background screening activities related to prospective Applicants, Associates, Affiliates, and Investors.

On a quarterly basis, OSC will perform enhanced screening of companies that received investment from a CTI licensed SBIC during the previous quarter.

Prudent repayments of outstanding leverage principal and interest amounts in step with private distributions and satisfactory benchmarking against asset-class peers (net IRR, net Distributions to Paid-In Capital, and net Total Value to Paid-In Capital etc.) ensure LP and GP alignment with program interests.

4.0 Governance

This section details governance policies related to the SBICCT Initiative and outlines the authorities, roles and responsibilities, restrictions, and conflict of interest resolution.

4.1 Authorities, Directives, and Policies

Several authorities, directives, and policies guide the SBICCT Initiative and provide a framework for the implementation and execution of the program. These include but are not limited to:

- [Small Business Investment Act of 1958](#)
- [OMB Circular A-129 \(Policies for Federal Credit Programs | 2013\)](#)
- [OMB Circular A-11; Section 185 | \(Federal Credit | 2022\)](#)
- [Federal Credit Reform Act of 1990 \(FCRA\)](#)
- [Budget and Accounting Acts of 1921; 1950](#)
- [Debt Collection Act of 1982](#)
- [Deficit Reduction Act of 1984; Section 2653](#)

4.2 Roles and Responsibilities

This section outlines this Investment Policy Statement's primary roles and responsibilities and shared responsibilities for successful execution.

4.2.1 Department of Defense

Office of Strategic Capital (OSC):

OSC is responsible for the DoD's management of the SBICCT Initiative, overseeing the DoD's roles and responsibilities in the execution of the program. OSC also provides embedded DoD SMEs to the SBA execution team to perform due diligence on SBICCT applicants on technical, financial, and national security dimensions, as well as observers to the licensing process and portfolio monitoring of licensed funds alongside SBA's monitoring team.

OSC Director:

Provides oversight and guidance on all OSC-related activities and ensures program execution aligns with senior leader and Strategic Capital Advisory Council (SCAC) guidance. OSC Director will report to the SCAC, DoD's internal governance forum for OSC, and will provide updates on program developments.

OSC Chief Investment Officer (CIO):

Responsible for the execution and implementation of all OSC investment-related programs. Ensures the program is executed in line with OSC priorities/objectives and provides regular updates to the OSC Director on licensing, investments, and portfolio performance. Will provide guidance and direction for OSC SMEs embedded with the SBA team. In addition, the OSC CIO sits on the Agency SBIC Licensing Committee as an observatory member to provide feedback guidance on Initiative alignment.

Strategic Capital Advisory Council (SCAC):

The Strategic Capital Advisory Council (SCAC) is DoD's internal governance forum for OSC and provides dedicated, robust oversight to advise and assist on OSC strategy, policy, and operations. Standing members of the council include the Under Secretary of Defense for Research and Engineering (co-chair); Under Secretary of Defense for Acquisition and Sustainment (co-chair); Under Secretary of Defense for Policy; Under Secretary of Defense (Comptroller) and Chief Financial Officer; Director of Cost Assessment and Program Evaluation; General Counsel of the Department of Defense; the Service Acquisition Executives; and the Joint Staff Director of Force Structure, Resources, and Assessment.

4.2.2 Small Business Administration

Office of Investment and Innovation (OII):

This SBA Office is responsible for management and oversight of the SBIC program for the SBA, overseeing the execution of the program, and leading engagement with OSC partners on the SBICCT Initiative.

SBA Administrator:

The SBA Administrator serves as the ultimate decision maker within the SBA licensing process and gives final approval for Green Light Letter authorizing applicants to raise private funds as an SBIC and move towards final licensing. In addition, the SBA Administrator serves as the ultimate decision maker for all SBIC licensing decisions, in consultation with OSC. The SBA Administrator may delegate an observer to the Agency Licensing Committee and Risk Committee.

OII Associate Administrator (AA/OII):

The OII Associate Administrator oversees and guides all OII-related activities, including the SBIC program, and ensures program execution aligns with senior leader guidance and recommendations. In addition, the OII Associate Administrator chairs the Agency Licensing Committees and sits on the Investment Committee and Risk Committee.

OII SBIC Licensing Division:

The OII SBIC Licensing Division is composed of Investment Officers and Investment Analysts responsible for engaging with Applicants and reviewing the Management Assessment Questionnaires (MAQs) and MAQ pre-screen forms, reviewing applicant qualifications, performing investment and operational due diligence, coordinating legal reviews, and presentation of recommendations to the Investment and Agency Licensing committees. Upon the SBA Administrator's Green Light approval and all preconditions for license issuance having been met, the OII SBIC Licensing Division is responsible for issuing the final license.

OII SBIC Investment Portfolio Management (IPM) Division:

The OII SBIC Investment Portfolio Management Division is composed of Investment Officers and Investment Analysts responsible for portfolio monitoring, management, and operational oversight of licensed SBICs. IPM Analysts are assigned to active Licensee and serve as a priority point of contact for operational, management and regulatory compliance. IPM Analysts will conduct quarterly portfolio review calls/meetings with SBICCT Licensees including a member(s) of the OSC team.

OII SBIC Examinations Division:

The OII SBIC Examinations Division is responsible for conducting regulatory examinations of all Licensees including SBICCT Licensees. Examinations are typically held on an annual or bi-annual basis.

4.2.3 Joint Roles and Responsibilities

Investment Committee: Based on MAQ review and Licensing Unit recommendation, the Investment Committee decides whether to invite the management team for an interview. Following the interview, the Investment Committee makes a recommendation to the Agency SBIC Licensing Committee on whether to issue a Green Light Letter prequalifying the management team for an SBIC license.

Investment Committee includes:

- Associate Administrator for Investment and Innovation
- Deputy Associate Administrator for Investment and Innovation
- Director of Patient Capital Investments (Committee Chair)
- Director of Licensing
- Director of Examinations
- Director of Secondaries and Liquidation
- Director of Investment Portfolio Monitoring

Agency Licensing Committee: Agency Licensing Committee reviews applicants recommended by the Investment Committee and formalizes a recommendation to the SBA Administrator for final approval of both SBIC Green Light decision and Licensing decision contingent upon final legal due diligence and no material adverse changes post-Green Light decision.

Agency Licensing Committee includes:

- Associate Administrator for Investment and Innovation
- General Counsel
- Associate Deputy Administrator for Capital Access
- Associate Administrator for Field Operations
- Chief Financial Officer
- DoD Office of Strategic Capital (OSC) Chief Investment Officer

Risk Committee:

The Risk Committee is responsible to the Associate Administrator of the Office of Investment and Innovation (AA/OII) and the SBA Administrator for overseeing the SBIC Program risk, including implementing the SBICCT risk management framework. Policy decisions, policy implementation considerations, and operational practices will be evaluated and monitored by the Committee. The Risk Committee is composed of the AA/OII and several SBA OII divisional leads along with the OSC CIO or delegate in an observatory role as relevant to the SBICCT Initiative.

Portfolio Management and Monitoring:

For SBICCT Licensees, the SBA and OSC have a joint responsibility to monitor the health of the portfolio and licensees. The OSC team works closely with the IPM team participating in a quarterly Licensee review process and receiving/analyzing periodic investment and financial reports from SBICCT Licensees.

IPS Implementation and Management:

OSC and OII will review the IPS annually and amend it as necessary to ensure the policy aligns with program objectives and all new statutory and regulatory requirements. Changes in programmatic objectives, critical technology areas and other material updates will influence policy guidance for prospective SBICCT applicants. The Director of DoD OSC and Associate Administrator of SBA OII will approve all changes to the IPS.

4.3 Restrictions

The SBICCT Initiative aims to mobilize private capital into critical sectors as efficiently as possible. To best support the funds licensed by the SBA, certain conditions are required to ensure funds meet mission requirements and refrain from deploying capital counter to the public benefit. Licensees will be expected to adhere to all statutory and regulatory requirements governing the SBIC program and SBA policy, in addition to the restrictions listed below:

Investors / Limited Partners (LPs):

Private capital raised by private funds licensed as SBICs under the SBICCT Initiative cannot be capitalized by investors from countries of particular concern, as defined by the United States Department of State.

Key Licensee Personnel:

Personnel owning, controlling, associated with or affiliated with the SBIC - whether at the General Partner, management company, or advisor level cannot be citizens of countries of special concern.

Portfolio Companies:

Investments cannot be made into companies where existing influence, ownership, control, or majority economic interest resides with individuals who are citizens of or from entities located in a country of special concern.

SBICCT Initiative Licensee Capital Allocation:

An SBICCT Licensee will be required to invest at least 60% of its portfolio in topic areas that fall both within the Fourteen and within the fund's proposed investment plan. If the fund has less than 60% of its portfolio invested in these areas, it must have the committed private capital to meet the threshold.

Investments in tangential or supporting industries will not be considered for the threshold requirement.

Investment Continuation:

SBICCT licensees must adhere to the same statutory and regulatory requirements of all SBIC Licensees acting in accordance with established standard operating procedures (SOPs) at the SBA. The limitations placed on investments made by the SBIC Licensee extend to subsequent investments in companies that have already been invested in by other affiliated funds or those under common control. These actions must go through conflict-of-interest approval processes and adhere to safe harbor requirements as mandated by the program.

4.4 Conflicts of Interest

If any member of OSC, the SBIC team, or advisors have or appear to have a conflict of interest that impairs or appears to impair the respective member's ability to exercise independent and unbiased judgment in the good faith discharge of their duties, they shall disclose such conflicts before meaningful discussion. All Parties must also comply with any other conflicts of interest policies of the DoD, OSC, SBA, and/or OII.

All licensees must also abide by the conflict of interest guidelines stipulated in [13 CFR §107.730](#) and [§107.885](#) which generally pertain to self-dealing and financing regulations for SBIC Licensees and disposition of fund assets, in addition to any agency, department, or office guidelines already imposed.